

CANARY WHARF
L O N D O N

Canary Wharf Finance plc ✓

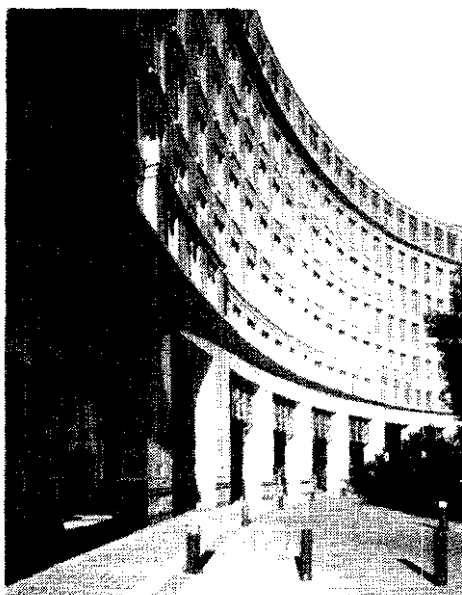
(incorporated in England and Wales with limited liability under registered number 3416151) ✓

Class A 7.23 per cent. First Mortgage Debentures due 2027

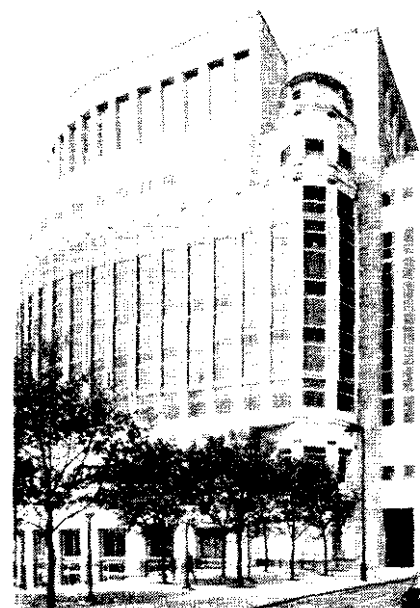
Class B 7.425 per cent. First Mortgage Debentures due 2027

MORGAN STANLEY DEAN WITTER

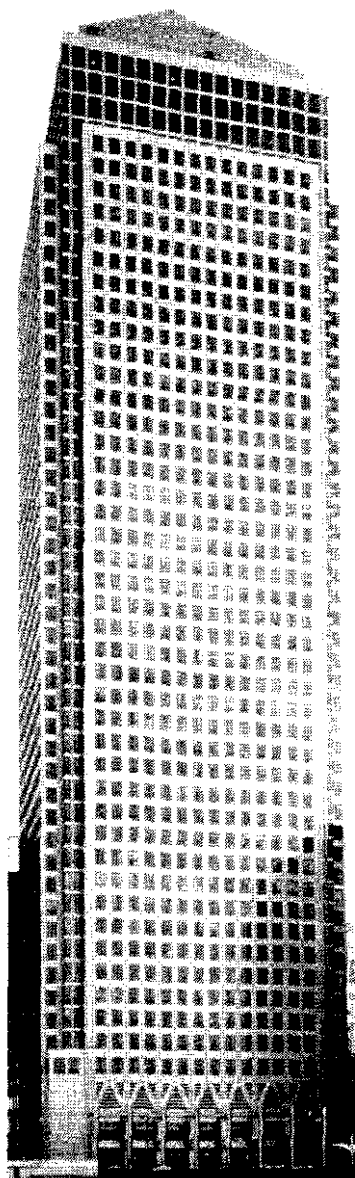




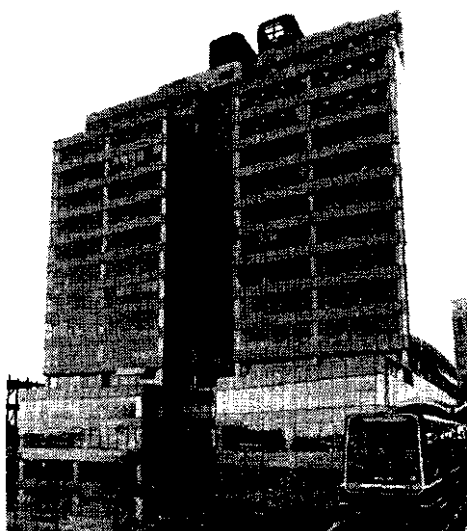
7 Westferry Circus



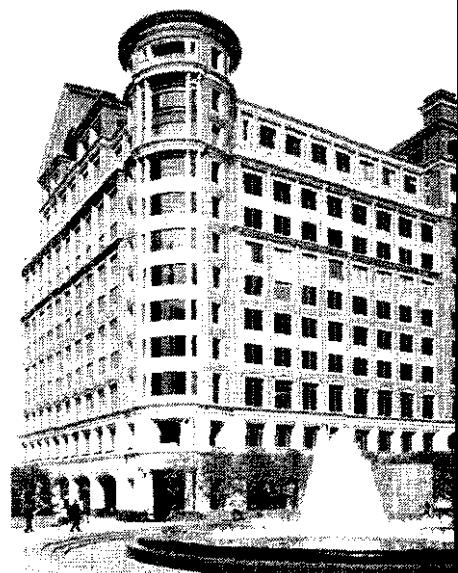
30 The South Colonnade



One Canada Square



25 The North Colonnade



10 Cabot Square

Notes:

(1) Securitisation and the term "Mortgaged Properties" excludes any retail areas of the buildings shown and named above.

(2) For 10 Cabot Square only the ninth and tenth floors are part of the Mortgaged Properties.

(3) The above photographs were taken during the period 1997 to 2001.

(4) For more information regarding the Mortgaged Properties see the section entitled "Information regarding the Mortgaged Properties" herein.

Canary Wharf Finance plc

(incorporated in England and Wales with limited liability under registered number 3416151)

£105,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027

Issue price: 112.239 per cent. of their principal amount plus accrued interest from 22nd January, 2001.

£15,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027

Issue price: 112.338 per cent. of their principal amount plus accrued interest from 22nd January, 2001.

The New Class A Notes will have the same terms as and will be consolidated, form a single series and be fungible with the £270,000,000 Class A 3 per cent. First Mortgage Debentures due 2027 of Canary Wharf Finance plc (the "Issuer"), issued on 4th December, 1997 (the "Existing Class A Notes"), with effect from 2nd April, 2001.

The New Class B Notes will have the same terms as and will be consolidated, form a single series and be fungible with the £80,000,000 Class B 25 per cent. First Mortgage Debentures due 2027 of the Issuer, issued on 4th December, 1997 (the "Existing Class B Notes"), with effect from 1 April, 2001.

The issue price of the £105,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027 (the "New Class A Notes") and the £15,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027 (the "New Class B Notes") and, together with the New Class A Notes, "New Notes") is 112.239 per cent. and 112.338 per cent., respectively of their principal amount plus, in each case, accrued interest from and including 22nd January, 2001 to (but excluding) 22nd April, 2001.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the "UK Listing Authority") for the New Notes to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such New Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the official list of the UK Listing Authority together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. Copies of this document, including appendices 1 and 2, which comprises approved listing particulars with regard to the Issuer and to the issue of the New Notes in accordance with the listing rules made under Part IV of the Financial Services Act 1986 (the "Act"), have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of the Act.

The New Notes of each class will initially be represented by a temporary global note in bearer form (each a "Temporary Global Note"), without coupons or talons, which will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about [21st] January, 2001 (the "Further Closing Date") (or such later date as may be agreed by the Issuer, Morgan Stanley & Co. International Limited ("Morgan Stanley") and, in its capacity as the Lead Manager, the "Lead Manager") and Bankers Trust Company Limited (the "Trustee", each expression shall include its successors and assigns). Each Temporary Global Note will be exchangeable not earlier than 40 days after Further Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a permanent global note representing the notes of the relevant class (each a "Permanent Global Note" and, together with each Temporary Global Note, the "Global Notes"), each in bearer form, without coupons or talons, which will also be deposited with the Common Depositary. Save in certain limited circumstances, notes in definitive form will not be issued in exchange for the Global Notes.

Interest on the New Notes is payable by reference to successive interest periods (each an "Interest Period"). Interest will be payable quarterly in arrear in pounds sterling on 22nd January, 22nd April, 22nd July and 22nd October (each an "Interest Payment Date") in each year commencing on the Interest Payment Date falling in April, 2001. The first Interest Period for the New Notes will commence on (and include) 22nd January, 2001 and end on (but exclude) 22nd April, 2001. Each successive Interest Period will commence on (and include) 22nd April, 22nd July, 22nd October and end on (but exclude) 22nd April, 22nd July, 22nd October and 22nd January, respectively. Interest on the New Class A Notes will accrue at an annual rate of 7.23 per cent. and interest on the New Class B Notes will accrue at an annual rate of 7.425 per cent.

The New Notes will mature on the Interest Payment Date falling in October 2027. The New Notes will be subject to mandatory redemption or optional redemption in whole or in part before such date in the circumstances, and subject to the conditions, described in the conditions.

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

The New Notes will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It shall be noted, in particular, that the New Notes will not be obligations of, and will not be guaranteed by, the Trustee, the Lead Manager, the Facility Provider, the Cash Manager, the Agent Bank, the Paying Agents, the Account Bank or the Cap Provider (each as referred to and defined herein) or by CW Lending Limited (the "Borrower"), the Finance Lessors (as defined below) or the Charging Subsidiaries (as defined below) or any company in the same group of companies as, or affiliated to, the Borrower (other than the Issuer itself), but the proceeds of the issue of the New Notes will be on-lent to the Borrower and secured over all of the assets and undertaking of the Borrower, and certain assets and undertaking of the Charging Subsidiaries and the Finance Lessors, all as more particularly described below.

It is expected that the New Class A Notes will, when issued, be assigned an AAA rating by Standard & Poor's Ratings Services, a division of McGraw-Hill Companies Inc. ("S&P") and AAA by Fitch Ratings Limited ("Fitch") and, together with S&P, the "Rating Agencies"). It is expected that the New Class B Notes will, when issued, be assigned an AA rating by each of the Rating Agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Rating Agencies' ratings do not address the likelihood of receipt by any Noteholder (as defined below) of a redemption premium in respect of any of the Notes.

Particular attention is drawn to the section herein entitled "Risk Factors".

MORGAN STANLEY DEAN WITTER

date of this Offering Circular is 19th February, 2001

This document, including appendices 1 and 2, comprises listing particulars relating to the issue of the New Notes by the Issuer in accordance with the listing rules made by the UK Listing Authority under Section 142 of the Act for the purpose of giving information with regard to the issue by the Issuer of the New Notes.

The Issuer accepts responsibility for the information contained in this document. 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

Each of the Finance Lessors (as defined below) has provided the description under the headings "Summary Information — The Finance Lessors", "Summary of principal documents relating to the Notes — Finance Leases" and "Risk Factors — The Finance Leases" below; none of the Finance Lessors has, however, been involved in the preparation of, and does not accept responsibility for, this document as a whole, or any other part thereof.

No person is or has been authorised in connection with the issue and sale of the New Notes to give any information or to make any representation not contained in this document 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 directors of the Issuer, the Borrower, any of the Charging Subsidiaries, the Finance Lessors, the Canary Wharf Group (as defined below), the Trustee, the Lead Manager, the Cap Provider, the Liquidity Facility Provider, the Paying Agents, the Agent Bank, the Cash Manager or the Account Bank. Neither the delivery of this document nor any sale or allotment made in connection with the offering of any of the New Notes shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Borrower or any other member of the Canary Wharf Group or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

The New Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and include New Notes in bearer form that are subject to U.S. tax law requirements. The New Notes may not be offered, sold or delivered, directly or indirectly, in the United States or to any U.S. persons (as defined in "Subscription and Sale" below) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes are being offered for sale outside the United States in accordance with Regulation S under the Securities Act. See "Subscription and Sale" below.

Other than the approval of this document as listing particulars by the UK Listing Authority and the delivery of copies of this document to the Registrar of Companies in England and Wales for registration in accordance with section 149 of the Act, no action has been or will be taken to permit a public offering of the New Notes or the distribution of this document in any jurisdiction where action for that purpose is required. The distribution of this document and the offering of the New Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part hereof) comes are required by the Issuer and the Lead Manager to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of New Notes and distribution of this document, see "Subscription and Sale" below. Neither this document nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Lead Manager to subscribe for or purchase any of the New Notes and neither this document, 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.

Accordingly, the New 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 country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

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

In connection with the distribution of the New Notes, Morgan Stanley may over-allot or effect transactions which stabilise or maintain the market price of the New Notes and/or the Existing Class A Notes and/or the Existing Class B Notes at a level which might not otherwise prevail. Such stabilisation, if commenced, may be discontinued at any time.

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DIAGRAMMATIC OVERVIEW OF PARTIES AND TRANSACTION

Capitalised terms used in this overview section are defined on the following pages.

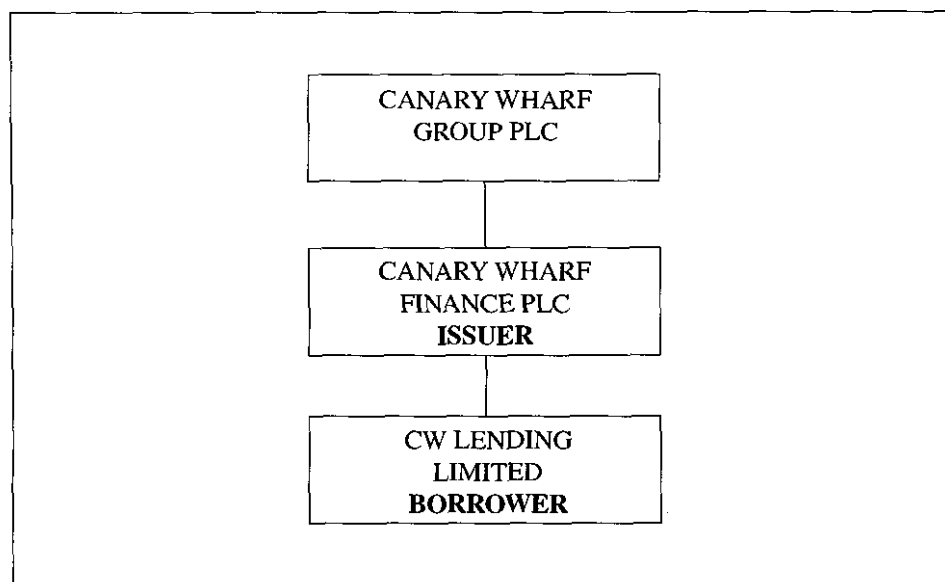


Figure 1 — Ownership Structure

- The Issuer is a wholly owned subsidiary of Canary Wharf Group plc
- The Borrower is a wholly owned subsidiary of the Issuer

For a more detailed description of the parties to the structure, see "Summary Information" below.

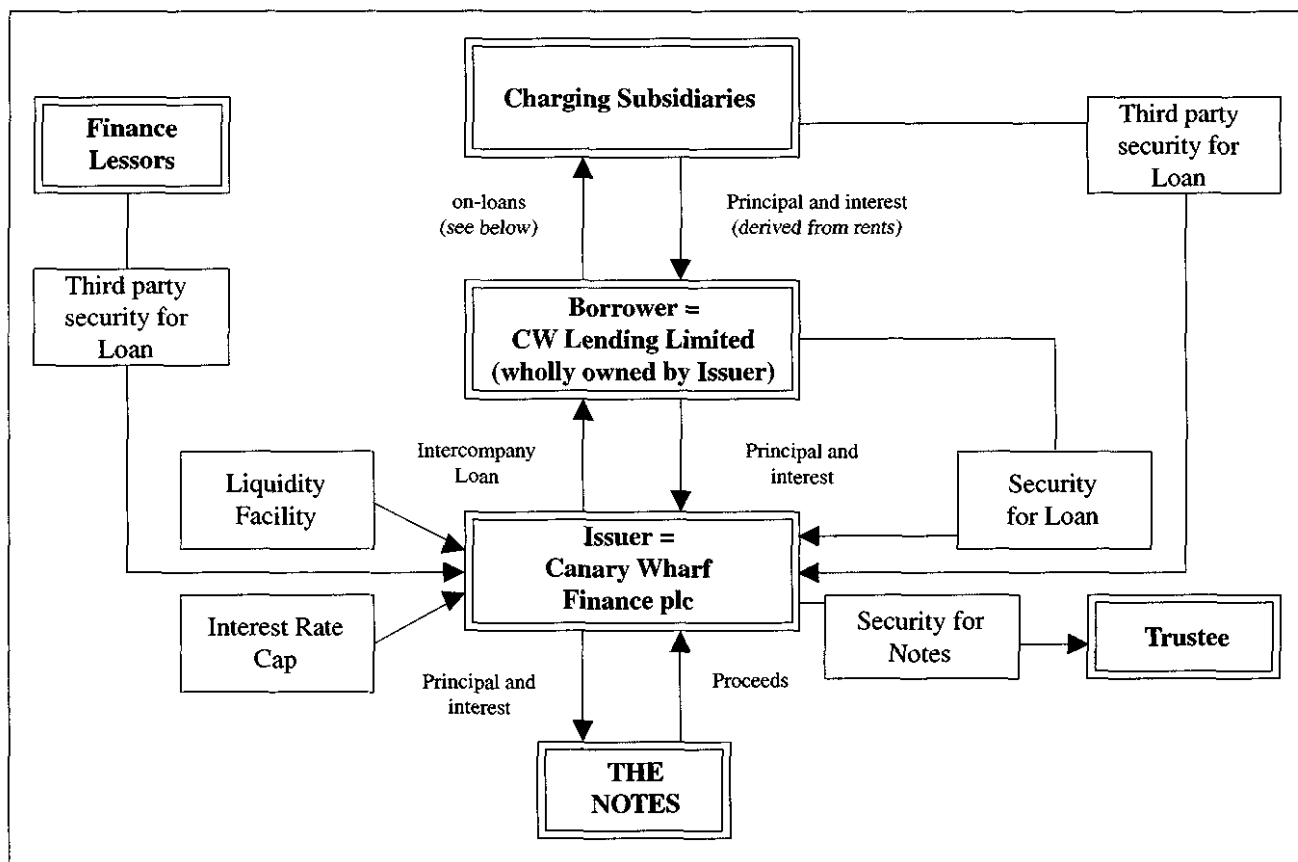


Figure 2 — Transaction Structure

Figure 2 illustrates a brief overview of the transaction, as follows:

- The Issuer will on-lend the proceeds of issue of the New Notes to the Borrower pursuant to the Restated Intercompany Loan Agreement.
- The Borrower will on-lend the proceeds of the Intercompany Loan to CWC SPVc Limited, which is one of the Charging Subsidiaries.
- CWC SPVc Limited will on-lend the proceeds of such loan to CWL.
- Each Charging Subsidiary has directed tenants in the Mortgaged Properties to pay all occupational rentals into the Rental Receipts Account of the Borrower and created security over their interests in the Mortgaged Properties to secure the liability of the Borrower to the Issuer under the Intercompany Loan.
- The Borrower uses amounts in the Rental Receipts Account to meet its obligations to pay interest and principal due to the Issuer under the Restated Intercompany Loan Agreement.
- The Issuer's obligations to pay principal and interest on the Notes is met primarily from the payments of principal and interest received from the Borrower under the Intercompany Loan.
- Each Finance Lessor has granted a charge in respect of their respective leasehold interests in the Mortgaged Properties in favour of the Issuer pursuant to the Finance Lessor Charge.
- The security granted by the Charging Subsidiaries and the Finance Lessors is given in favour of the Issuer as third party security for the obligations of the Borrower to the Issuer. The Issuer has sub-charged such security in favour of the Trustee under the Issuer Deed of Charge such that the Trustee will be able to control the exercise and enforcement of such security.

For details of the Liquidity Facility, the Finance Lessor Charge, the Cap Agreement, see "Summary Information" below.

SUMMARY INFORMATION

The following information is a summary of the principal features of the issue of the New Notes and of the structure of the Original Notes (as defined below). This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this document.

The Issuer

The Issuer is a public company with limited liability incorporated in England and Wales with registered number 3416151. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each, all of which are held by Canary Wharf Group plc ("CWG").

The Borrower

CW Lending Limited is a private limited liability company incorporated in England and Wales with registered number 3376070 (the "**Borrower**"). The Borrower is a wholly owned subsidiary of the Issuer. The Borrower borrowed the proceeds of the issue of the Original Notes under a loan facility made available by the Issuer on the Initial Closing Date (as defined below) (the "**Original Intercompany Loan**") pursuant to a loan agreement (the "**Original Intercompany Loan Agreement**") entered into on the Initial Closing Date between, *inter alios*, the Issuer, the Borrower, the Charging Subsidiaries and the Trustee. The proceeds of the New Notes will be lent by the Issuer to the Borrower under the Original Intercompany Loan Agreement, as amended and restated by an agreement supplemental thereto to be dated on or about the Further Closing Date, such amended and restated document being herein referred to as the "**Restated Intercompany Loan Agreement**". The Original Intercompany Loan Agreement and the Restated Intercompany Loan Agreement are, together, referred to as the "**Intercompany Loan Agreement**".

The Charging Subsidiaries

For the purposes of this document, the "**Charging Subsidiaries**" means (subject to exclusion as disclosed in "Summary of principal documents relating to the Notes — the Composite Debenture" below) each of the subsidiaries of CWG which are listed in Part A and Part B of Appendix 2 of this document which have provided fixed and, subject to certain limitations, floating charges in favour of the Issuer pursuant to the Composite Debenture and Floating Charge Agreement (each as defined below) as third party security to the Issuer for the obligations of the Borrower under the Original Intercompany Loan Agreement. In this document, where the context so requires, "Charging Subsidiaries" also means any other subsidiaries of CWG which subsequently provide third party security to the Issuer for the obligations of the Borrower under the Restated Intercompany Loan Agreement. See also "Information regarding the Mortgaged Properties — Reorganisation" below.

The Canary Wharf Group

For the purposes of this document, the "**Canary Wharf Group**" means CWG and all of its subsidiaries, including the Borrower and each Charging Subsidiary.

The Finance Lessors

Certain of the leasehold interests which exist in respect of the Mortgaged Properties are held by finance lessors (each, a "**Finance Lessor**") which are not members of the Canary Wharf Group. The Finance Lessors are listed in the first column of Part C of Appendix 2 of this document and are wholly owned subsidiaries (either directly or indirectly) of the financial institutions listed in the third column of that Appendix. The Finance Lessors have charged their respective leasehold interests in the Mortgaged Properties (as defined below) in favour of the Issuer pursuant to the Finance Lessor Charge but see "Summary of principal documents relating to the Notes — The Finance Lessor Charge" and "Financial Leases" under the section entitled "Risk Factors" below for a description of certain limitations in and restrictions on the enforceability of such security.

The Trustee

The Trustee is Bankers Trust Company Limited (the "**Trustee**"). The Trustee was appointed pursuant to an original trust deed (the "**Original Trust Deed**") entered into on 4th December, 1997 (the "**Initial Closing Date**") and made between the Issuer and the Trustee and pursuant to which the Existing Class A Notes and the Existing Class B Notes, (the Existing Class B Notes together with the Existing Class A Notes being the "**Existing Notes**"), the £120,000,000 Class C 5 per cent. Stepped Coupon First Mortgage Debentures due 2027 of the Issuer, issued on the Initial Closing Date (the "**Class C Notes**") and the £85,000,000 Class D Floating Rate First Mortgage Debentures due 2020 of the Issuer, issued on the Initial Closing Date (the "**Class D Notes**") and together with the Existing Class A Notes, the Existing Class B Notes and the Class C Notes, the "**Original Notes**") were constituted.

The New Notes will be constituted and secured by, or pursuant to, a supplemental trust deed which will be entered into on the Further Closing Date (the "**First Supplemental Trust Deed**") which will be supplemental to the Original Trust Deed and which is herein together with the Original Trust Deed defined as the "**Trust Deed**" (which expression shall include 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).

The New Notes will share in the benefit of the security given to the Trustee in the Trust Deed and the Issuer Deed of Charge (as defined below) in respect of the Existing Class A Notes and the Existing Class B Notes, respectively. The Original Notes and the New Notes are herein together referred to as the "**Notes**".

The Trustee represents and will represent the interests of the holders of the Notes and holds and will hold the security granted under the Issuer Deed of Charge on behalf of all the secured creditors of the Issuer and will be entitled to enforce the security granted in favour of the Issuer under the Composite Debenture, the Floating Charge Agreement and the Finance Lessor Charge (each as defined below).

The Cash Manager

Canary Wharf Limited, a private limited liability company incorporated in England and Wales with registered number 1971312 ("**CWL**" or, in its capacity as cash manager under the Restated Cash Management Agreement (as defined below), the "**Cash Manager**"), which is a wholly owned subsidiary of Canary Wharf Holdings Limited ("**CWHL**"), has been appointed by each of the Issuer, the Borrower and the Trustee to act on its behalf in managing, *inter alia*, the collection of rents from tenants of Mortgaged Properties, the application of monies standing to the credit of the Borrower's Accounts and the Issuer's Accounts (each as defined below), the application of monies under the Restated Intercompany Loan Agreement and the calculation and application of monies payable by the Issuer under or in respect of the Notes.

The Canary Wharf Estate

The Estate

The Canary Wharf estate on which the Mortgaged Properties (as defined below) are situated, comprising Canary Wharf itself and the majority of the adjacent Canary Wharf South, extends to around 86 acres (the "**Estate**") and is located approximately 10 minutes by road or rail from the centre of the City of London to the west and London City Airport to the east.

Construction began in 1988 and the Estate today comprises 13 office buildings, retail space aggregating approximately 250,000 square feet and a conference and banqueting centre, as well as car parks and 17 acres of landscaped grounds. The Canary Wharf Docklands Light Railway Station and the Canary Wharf Jubilee Line Station, which opened in the autumn of 1999, both lie within the development.

The buildings so far completed, comprising over 5.8 million sq. ft.(net) of first class office and retail space, have been designed by some of the world's leading architects including Cesar Pelli (One Canada Square and Cabot Place Retail Centre), Skidmore Owings & Merrill (1 and 7 Westferry Circus, 10 and 25 Cabot Square and 20 Columbus Courtyard), Troughton McAslan (25 The North Colonnade), Foster and Partners (33 Canada

Square) and Gensler (17 Columbus Courtyard). There are over 120 retailers and banks at Canary Wharf, including 35 restaurants, cafes and public houses.

The first phase of Canary Riverside (which is not part of the Estate for the purposes of the transaction described in this Offering Circular) a predominantly residential development undertaken by a joint venture including CWL, including over 300 apartments and a 150 room hotel, opened in late 1999. Construction has also commenced on the remainder of the Estate which will comprise over 8 million sq. ft. and is expected to be completed in the next 3 to 5 years.

The existing buildings on the Estate are substantially fully let based on Net Internal Area (as defined in the Restated Master Definitions Agreement).

Current lessees of the Mortgaged Properties include the following major international financial and commercial organisations:

- (i) WPP Group (trading as Ogilvy & Mather) (floors 9 and 10, 10 Cabot Square);
- (ii) Bank of New York, The Telegraph Plc, Trinity Mirror PLC, State Street Bank, Bear Stearns International, Skadden Arps Slate Meagher & From and KPMG (all at One Canada Square);
- (iii) London Underground Limited (30 The South Colonnade); and
- (iv) The Financial Services Authority (25 The North Colonnade).

Major lessees or occupiers of other properties on the Estate which do not form part of the Mortgaged Properties on the Further Closing Date include:

- (i) Readers Digest Association (part of 11 Westferry Circus);
- (ii) Texaco Limited (part of 1 Westferry Circus);
- (iii) Credit Suisse First Boston (1 Cabot Square, the adjoining building at 17 and 20 Columbus Courtyard and when constructed, at location DS1);
- (iv) Morgan Stanley Dean Witter & Co. (20 & 25 Cabot Square and when constructed, at locations HQ1 and WF9);
- (v) Barclays Bank PLC (5 The North Colonnade and 10 The South Colonnade);
- (vi) Citigroup/Citibank (33 Canada Square and, when constructed, location DS5);
- (vii) HSBC (when constructed, location DS2); and
- (viii) Clifford Chance Limited Liability Partnership (when constructed, location HQ5).

Background and History

The Estate was acquired by Olympia & York Developments Ltd. in 1987. The first phase, comprising most of the existing buildings, was completed in 1991 and the first tenants took up occupation in the summer of that year. In May 1992, primarily as a result of the difficulties caused by the worldwide business recession, Olympia & York Developments Ltd. sought protection from its creditors in Canada and the principal companies then comprising the Canary Wharf Group in Great Britain went into administration under the Insolvency Act 1986. In October 1993, certain of those companies emerged from administration and, together with other members of the Canary Wharf Group, were restructured and transferred into the ownership of a consortium of international banks which had provided financing for the first phase of the development. In December 1995, the Canary Wharf Group was acquired from those banks by a consortium of international property investors. In December 1997, Canary Wharf Finance plc issued £555 million in principal amount of First Mortgage Debentures secured on the Mortgaged Properties on the Estate. In April 1999, the holding company of the Canary Wharf Group, Canary Wharf Group plc, listed its shares on the London Stock Exchange and raised £606 million by way of an initial public offering. In June 2000 Canary Wharf Finance II plc issued £975 million in principal amount of First Mortgage Debentures secured on various properties on the Estate (other than the Mortgaged Properties).

Estate Management

The Estate and those buildings which are multi-tenanted are managed and maintained by Canary Wharf Management Limited ("CWML" or, in such management capacity, the **"Estate Manager"**). In addition to looking after those buildings under its control, the Estate Manager maintains the roads and car parks on the Estate, as well as the open spaces such as Cabot Square, the gardens and waterfront promenades. The management team is located on site and includes building managers, security personnel, cleaners, gardeners and maintenance operators. Specialist personnel supervise the maintenance of the lifts and building systems and co-ordinate the life safety policies for the Estate.

CWML is responsible for the collection of estate, car park and (where applicable) building service charges. Collection of rents is undertaken by CWL.

Transaction Overview

On the Initial Closing Date, the proceeds of issue of the Original Notes were applied by the Issuer in making an initial advance to the Borrower of £555,000,000 in 4 tranches (each tranche corresponding to each class of the Original Notes) pursuant to the terms of the Original Intercompany Loan Agreement. The initial advance was applied by the Borrower (i) to on-lend to members of the Canary Wharf Group, to be used by them, *inter alia*, to repay their existing indebtedness, and for other group corporate purposes of the Canary Wharf Group including the funding of a deposit in favour of any one or more of the Finance Lessors to secure certain lease obligations owed by certain members of the Canary Wharf Group to the Finance Lessors, (ii) in the establishment of the Fitting Out Account (in an initial amount of £20,000,000) and the Interest Shortfall Account (in an initial amount of £12,250,000) (each account as defined below and, together with the Rental Receipts Account and the Cash Collateral Account (as defined below), the **"Borrower's Accounts"**), each in the name of the Borrower (the Fitting Out Account and the Interest Shortfall Account now having been closed) and (iii) in the making of the Original Borrower Loan (as defined below) to the Issuer. See further "Summary of principal documents relating to the Notes — the Intercompany Loan Agreement" below.

An amount of £12,000,000 (being 2.16 per cent. of the amount of the initial advance made to the Borrower) was advanced by the Borrower (the **"Original Borrower Loan"**) to the Issuer on an interest free subordinated basis. The proceeds of such advance were placed by the Issuer on deposit in an interest bearing deposit account in the name of the Issuer (the **"First Loss Fund Account"**) maintained with Barclays Bank PLC (acting through its branch at Lombard Street EC3V 9EX) (the **"Account Bank"**) under the terms of a bank account agreement (the **"Bank Account Agreement"**) between, *inter alios*, the Account Bank, the Issuer, the Borrower, the Cash Manager and the Trustee. The Original Borrower Loan will be increased by £2,600,000 (being approximately 2.16 per cent. of the amount of the further advance made to the Borrower) by way of a further advance to the Issuer on the Further Closing Date. The principal purpose of the First Loss Fund Account is to provide credit and liquidity support for the Notes other than in respect of (i) Subordinated Class D Coupon Amounts and (ii) any principal payments on the Class D Notes. In addition, up to 25 per cent. of the initial amount standing to the credit of the First Loss Fund Account may be made available by the Issuer to the Borrower at any time from the Initial Closing Date by way of interest free, short-term further advances to the Borrower under the terms of the Original Intercompany Loan Agreement to fund the payment of certain expenses attributable to the Mortgaged Properties, to the extent not covered by service charge collections from tenants. See "Resources available to the Borrower and the Issuer — First Loss Fund" and "Summary of principal documents relating to the Notes — the Intercompany Loan Agreement — Further Advances" below.

The payment of rent from tenants occupying the Mortgaged Properties provides and will provide the primary source of funds for the Borrower to make payments of interest and repayments of principal and certain other payments due under the Intercompany Loan. Subject in each case and as more particularly set out under "Resources Available to the Borrower and the Issuer" below, all payments of principal and interest and other amounts by the Borrower under the Restated Intercompany Loan Agreement; all amounts of interest earned on the interest bearing current account of the Issuer (the **"Issuer's Transaction Account"** and, together with the First Loss Fund Account and the Defeasance Account, the **"Issuer's Accounts"**) with the Account Bank; funds standing to the credit of the First Loss Fund Account together with interest earned thereon and funds standing to

the credit of the Defeasance Account (as defined below) together with interest earned thereon; all receipts from the provider of the interest rate cap (the **"Cap Provider"**) under the interest rate cap agreement which was entered into by the Issuer with the Cap Provider and the Trustee (the **"Cap Agreement"**); and all advances drawn from Barclays Bank PLC and any other additional or substitute banks appointed pursuant to the terms of the Restated Liquidity Facility Agreement (as defined below) all such banks acting severally thereunder (together the **"Liquidity Facility Provider"**) under an amended and restated 364-day revolving liquidity facility agreement (arranged by Barclays Capital Group, the investment banking division of Barclays Bank PLC) which will be entered into by the Issuer with the Liquidity Facility Provider and the Trustee (the **"Restated Liquidity Facility Agreement"**) on the Further Closing Date pursuant to which the Liquidity Facility Provider has agreed to increase the funds previously available under the Original Liquidity Facility Agreement, may be used by the Issuer, *inter alia*, and subject to certain exceptions, to pay interest on and principal of the Notes and to pay any amounts due to the other creditors of the Issuer, including Secured Parties under the Issuer Deed of Charge (each as defined below). References herein to the Cap Provider, the Account Bank and the Liquidity Facility Provider shall include references to any replacements for such parties and references herein to the Cap Agreement, the Bank Account Agreement, the Restated Liquidity Facility Agreement and the other agreements and parties mentioned herein shall include references to any replacements therefor.

The obligations of the Borrower under the Restated Intercompany Loan Agreement are secured in favour of the Issuer by fixed and floating charges over the property, undertaking and assets of the Borrower and, subject to certain limitations, certain property and assets only of each Charging Subsidiary and the property interests of the Finance Lessors in respect of the Mortgaged Properties (see further "Summary of principal documents relating to the Notes — the Composite Debenture, Floating Charge Agreement and Finance Lessor Charge" below). On the Initial Closing Date the Charging Subsidiaries, (subject however to exclusion as disclosed in "Summary of principal documents relating to the Notes — the Composite Debenture", below) between them, owned and on the Further Closing Date will own all the relevant interests in the Mortgaged Properties, other than those interests owned by the Finance Lessors. The Issuer charged and, as applicable, assigned, by way of first fixed security, *inter alia*, all of its right, title, interest and benefit in and to the Composite Debenture and Finance Lessor Charge (as defined below) in favour of the Trustee for the benefit of, *inter alios*, the Noteholders (as defined below) pursuant to a deed of charge and assignment (the **"Original Issuer Deed of Charge"**) entered into on the Initial Closing Date between the Issuer, the Trustee, the Cap Provider, the Liquidity Facility Provider, the Cash Manager, the Borrower and the Account Bank (each as referred to herein and such parties (together with the Noteholders but excluding the Issuer) are, together, the **"Secured Parties"**). CWG charged its shares in the Issuer in favour of the Trustee by way of first fixed mortgage (the **"Share Charge"**) on the Initial Closing Date.

On 21st February, 2001, the proceeds of issue of the New Notes will be applied by the Issuer in making further advances to the Borrower (the **"Further Intercompany Loan"** and together with the Original Intercompany Loan, the **"Intercompany Loan"**) of £120,000,000 in two tranches (each tranche corresponding to each class of the New Notes) pursuant to the terms of the Restated Intercompany Loan Agreement. The proceeds of the Further Intercompany Loan will be used or applied for general corporate purposes of the Canary Wharf Group.

The Notes

The New Notes

The New Notes will be constituted and secured by, or pursuant to, the First Supplemental Trust Deed which will be supplemental to the Original Trust Deed.

The New Class A Notes and the Existing A Notes are herein together referred to as the **"Class A Notes"** and the New Class B Notes and the Existing Class B Notes are herein together referred to as the **"Class B Notes"**.

Status, Form and Denomination

Each class of Notes is constituted by the Trust Deed and each class of Notes is secured by the same security. The Class A Notes will rank senior in priority to the Class B Notes, the Class C Notes and the Class D Notes in

point of security and as to payment of both interest and principal, the Class B Notes will rank senior in priority to the Class C Notes and the Class D Notes in point of security and as to payment of both interest and principal, and the Class C Notes will rank senior in priority to the Class D Notes in point of security and as to payment of both interest and principal.

The Trust Deed contains provisions requiring the Trustee 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**") as a single class, but where there is, in the Trustee's opinion, a conflict between such interests, the Trust Deed requires the Trustee to have regard only to the interests of the class of Notes involved in such a conflict of interests, which ranks senior in point of priority to the other class or classes so involved at that time as more particularly described above.

The Trust Deed contains provisions limiting the powers of the Noteholders of a class or classes of Notes, which rank junior in priority at the relevant time, to the Notes of another class or classes, *inter alia*, to pass any Extraordinary Resolution (as defined in the Trust Deed) or to request or direct the Trustee to take any action which may affect the interests of the Noteholders of a class or classes of Notes which rank senior in priority to that class or classes.

The Notes are obligations of the Issuer only. The Notes are not obligations or responsibilities of, or guaranteed by, any person or entity other than the Issuer. In particular, the Notes are not obligations or responsibilities of, or guaranteed by, the Trustee, the Lead Manager, the Cash Manager, the Liquidity Facility Provider, the Cap Provider, the Agent Bank, the Account Bank (each as referred to herein), the Finance Lessors, the Borrower, the Charging Subsidiaries or any company in the same group of companies as, or affiliated to, the Borrower (other than the Issuer itself) but the proceeds of the issue of the Notes have been and will be on-lent to the Borrower and secured over the assets and undertaking of the Borrower and to the extent provided herein, the Charging Subsidiaries and the Finance Lessors.

Each class of New Notes (each individual Note of which (should definitive notes be issued) will be in the denomination of £5,000) will initially be represented by a single Temporary Global Note. Interests in each Temporary Global Note will, upon certification as to non-U.S. beneficial ownership, be exchangeable, subject as provided under "Terms and Conditions of the New Notes" below, for interests in the relevant Permanent Global Note upon the Exchange Date (as defined herein). The Permanent Global Notes will not be exchangeable for definitive notes save in certain limited circumstances (for which see further "Terms and Conditions of the New Notes" below).

Interest

Interest on the New Notes is payable by reference to successive interest periods (each an "**Interest Period**"). Interest will be payable quarterly in arrear in pounds sterling on 22nd January, 22nd April, 22nd July and 22nd October (each an "**Interest Payment Date**") in each year commencing on the Interest Payment Date falling on 22 April, 2001. The first Interest Period for the New Notes will commence on (and include) 22nd January, 2001 and end on (but exclude) 22nd April, 2001. In the case of the Class D Notes, each successive Interest Period (subject to adjustment as specified herein for non-business days) commences on (and includes) an Interest Payment Date and ends on (but excludes) the next succeeding Interest Payment Date. In the case of the Class A Notes, the Class B Notes and the Class C Notes (together, the "**Fixed Rate Notes**"), each successive Interest Period commences on (and includes) 22nd January, 22nd April, 22nd July and 22nd October and ends on (but excludes) 22nd April, 22nd July, 22nd October and 22nd January, respectively. Interest on the Class D Notes accrues on their Principal Amount Outstanding (as defined in Condition 5(d)) at an annual rate equal to the sum of the London Interbank Offered Rate ("**LIBOR**") for three month sterling deposits plus a margin of 1.10 per cent. per annum up to and including the Interest Payment Date falling in January 2003 (the "**Class D Step-Up Date**") and thereafter a margin of 3.10 per cent. per annum, subject as further described below.

Interest on the Class A Notes accrues on their Principal Amount Outstanding at an annual rate of 7.23 per cent., interest on the Class B Notes accrues on their Principal Amount Outstanding at an annual rate of

7.425 per cent. and interest on the Class C Notes accrues on their Principal Amount Outstanding at an annual rate of 5 per cent. up to and including the Interest Payment Date falling in October 1999 and, thereafter, in successive stepped amounts as set out in Condition 4(c). See further "Terms and Conditions of the New Notes" below.

The holders of the Class B Notes will be entitled to receive payment of interest on the Class B Notes on any Interest Payment Date only to the extent that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class B Notes (including interest payable on such Interest Payment Date in respect of the Class A Notes), all as provided in, as the case may be, the Conditions, the Issuer Deed of Charge or the Restated Cash Management Agreement. Any interest on any Class B Note not paid on an Interest Payment Date will itself accrue interest and will be paid to the holder of such Class B Note on subsequent Interest Payment Dates to the extent the Issuer has funds available for such purpose after making prior ranking payments on such Interest Payment Dates as aforesaid.

The holders of the Class C Notes will be entitled to receive payment of interest on the Class C Notes on any Interest Payment Date only to the extent that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class C Notes (including interest payable on such Interest Payment Date in respect of the Class A Notes and in respect of the Class B Notes), all as provided in, as the case may be, the Conditions, the Issuer Deed of Charge or the Restated Cash Management Agreement. Any interest on any Class C Note not paid on an Interest Payment Date will itself accrue interest and will be paid to the holder of such Class C Note on subsequent Interest Payment Dates to the extent that the Issuer has funds available for such purpose after making prior ranking payments on such Interest Payment Dates as aforesaid.

The payment of interest on each class of Fixed Rate Notes on each Interest Payment Date will equal one quarter of the annual payment of interest calculated on the relevant Principal Amount Outstanding.

The Class D Noteholders will be entitled to receive payment of interest (other than Subordinated Class D Coupon Amounts (as defined below)) on the Class D Notes on any Interest Payment Date to the extent only that the Issuer has funds available for the purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class D Notes (including interest payable on such Interest Payment Date in respect of the Class A Notes, the Class B Notes and the Class C Notes), all as provided in, as the case may be, the Conditions, the Issuer Deed of Charge or the Restated Cash Management Agreement. Any interest on any Class D Note not paid on an Interest Payment Date will itself accrue interest and will be paid to the holder of such Class D Note on subsequent Interest Payment Dates to the extent that the Issuer has funds available for such purpose after making prior ranking payments on such Interest Payment Dates as aforesaid.

Withholding Tax

All payments of principal, premium (if any) and interest in respect of the Notes will be made subject to any applicable withholding taxes and neither the Issuer nor the Paying Agents (as defined below) will be obliged to pay any additional or further amounts as a consequence thereof. See "United Kingdom Taxation" below for a description of certain aspects of the taxation of the New Notes.

Final Redemption

Unless previously redeemed in full or purchased and cancelled, the Notes of each class will mature at their then Principal Amount Outstanding on the Interest Payment Date falling in October 2027 or, in the case of the Class D Notes, October 2020, together with accrued interest thereon.

Mandatory Redemption in Part

- (a) Prior to the service of (i) an enforcement notice on the Borrower or any Charging Subsidiary under the terms of the Composite Debenture (an "Intercompany Loan Enforcement Notice") and (ii) a Note Enforcement Notice (as defined in Condition 9(d)), the Notes will be subject to mandatory *pro rata* redemption in part in quarterly instalments commencing on the Interest Payment Date falling in January 2004 in an aggregate amount equal to the Amortisation Amount (as defined in Condition 5(b))

for that Interest Payment Date set out against the relevant class of Notes, as provided in Condition 5(b)(i).

- (b) Following the service of an Intercompany Loan Enforcement Notice but prior to the service of a Note Enforcement Notice, the Notes will continue to be subject to mandatory *pro rata* redemption as set out in (a) above. However, to the extent that, during such period, the Post-Enforcement Available Issuer Revenue (as defined under "Resources Available to the Borrower and the Issuer" below) is sufficient therefor, additional *pro rata* redemption (together with any applicable redemption premium) of each class of Notes will occur respectively in the terms of items (xvi) to (xix) of the Post-Enforcement Pre-Acceleration Priority of Payments (as referred to in "Resources Available to the Borrower and the Issuer" below).
- (c) If (as is required in certain circumstances) the Borrower mandatorily prepays any part of the Intercompany Loan by reason of a receipt by it of an insurance payment in respect of a total loss of a Mortgaged Property, the Issuer shall apply the proceeds of such prepayment in redemption of the Notes in accordance with Condition 5(b)(iii).
- (d) Following the service of a Note Enforcement Notice, the Notes will be subject to mandatory *pro rata* redemption in accordance with Condition 2(B).

Optional Redemption

- (a) The Issuer may, at its option and in accordance with Condition 5(e), redeem all of the Notes on any Interest Payment Date in the event of certain tax changes affecting the Notes (including in the event that the Issuer is obliged to make any withholding or deduction from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction) or if the Borrower is obliged to make any withholding or deduction from payments in respect of the Intercompany Loan Agreement (although the Borrower is obliged to pay additional amounts in respect of such withholding or deduction)), as to which see further Condition 5(e). No single class of Notes may be redeemed in these circumstances unless all of the other classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.
- (b) The Notes will, in accordance with Condition 5(c), also be subject to redemption, at the option of the Issuer, in whole or in part, but in an aggregate amount of not less than £1,000,000 of a class of Notes and thereafter in multiples of £100,000 (or, if less, the then Principal Amount Outstanding of the class of Notes to be redeemed) on any Interest Payment Date provided: (i) that all amounts which have fallen due to be paid on that Interest Payment Date under the terms of the Issuer Deed of Charge or, as applicable, the Restated Cash Management Agreement and as described under items (i) to (xiii) of "Resources Available to the Borrower and the Issuer — Pre-Enforcement Issuer Priority of Payments" below have first been paid out on the relevant Interest Payment Date, (ii) that the then current ratings of the Notes would not be adversely affected thereby, and (iii) that if any such redemption (whether in whole or in part) occurs on or before the Interest Payment Date specified for the relevant class of Notes in Condition 5(c), the Issuer shall pay to the Noteholders of the relevant class or classes such additional amount, if any, as is provided for in respect of each class of Notes in Condition 5(c).

Upon any redemption of part only of a class or classes of Notes under Condition 5 (other than the payment of an Amortisation Amount pursuant to Condition 5(b)(i)), the Cash Manager shall, in accordance with Condition 5(c), re-calculate the Amortisation Amounts for each future Interest Payment Date in respect of the relevant class or classes of Notes and cause notice thereof to be given to, *inter alios*, the Noteholders. See further "Terms and Conditions of the New Notes" below.

Purchase

The Issuer may purchase all or any part of the Notes (in aggregate principal amounts of not less than £500,000) on any day subject to compliance by it with all applicable regulations of the London Stock Exchange. Any Notes so purchased will be cancelled.

Security for the Notes

The Original Notes are secured and the New Notes will be secured pursuant to the Issuer Deed of Charge (as defined below) by first ranking fixed security interests over, *inter alia*, (i) the Issuer's rights against the Borrower, each of the Charging Subsidiaries and each of the Finance Lessors under the Intercompany Loan Agreement, the Composite Debenture (and thereby the interests of the Charging Subsidiaries in certain properties on the Estate (together, the "**Mortgaged Properties**" and each a "**Mortgaged Property**", details of the current Mortgaged Properties are set out in "Information regarding the Mortgaged Properties" below but for the purposes of this document, "Mortgaged Properties" will include such additional properties as are from time to time included (for example by way of substitution) and exclude any properties from time to time released from the relevant security), the Finance Lessor Charge and any accession deed and/or debenture entered into by any other Charging Subsidiary or Finance Lessor pursuant to the Intercompany Loan Agreement, the Composite Debenture, and the Finance Lessor Charge, and the rents paid under the Occupational Leases (as defined below) in respect of the Mortgaged Properties, (ii) the Issuer's rights against the Liquidity Facility Provider under the Restated Liquidity Facility Agreement, (iii) the Issuer's rights against the Cash Manager under the Restated Cash Management Agreement (as referred to below), (iv) the Issuer's rights under the Bank Account Agreement (as referred to below), (v) the Issuer's rights under the Further Subscription Agreement (as referred to below), (vi) the Issuer's rights against the Cap Provider under the Cap Agreement (both as referred to below), (vii) the Issuer's rights in respect of the Issuer's Transaction Account, being the bank account into and out of which all payments to and by the Issuer will be made, the First Loss Fund Account, the Defeasance Account (each such account as referred to below) and over certain investments to be made from time to time by, or on behalf of, the Issuer and (viii) a first fixed mortgage over the Issuer's shares in the Borrower. The Notes also are secured by (i) a first fixed mortgage over the shares of the Issuer granted by CWG to the Trustee pursuant to a share charge agreement (the "**Share Charge**") entered into on the Initial Closing Date; and (ii) a first floating charge over all the assets and undertaking of the Issuer not effectively charged by the first ranking fixed security interests referred to above pursuant to the Issuer Deed of Charge (such fixed and floating security, together, the "**Issuer Security**").

Certain other obligations of the Issuer, including the amounts owing to the Trustee and any receiver appointed by the Trustee, to the Cap Provider under the Cap Agreement, to the Liquidity Facility Provider under the Restated Liquidity Facility Agreement (both as referred to below), to the Account Bank under the Bank Account Agreement, to the Agent Bank and the Paying Agents under the Agency Agreement and to the Cash Manager under the Restated Cash Management Agreement (each as referred to below) are also secured by the security interests referred to above.

The order of priority of payments for the Notes upon enforcement of the Issuer Security under the Issuer Deed of Charge is more particularly described in Condition 2(B).

The Intercompany Loan

Repayment of Principal and Payment of Interest

Under the terms of the Original Intercompany Loan Agreement, the Borrower (subject as described below) commenced payment of interest on the Intercompany Payment Date (as defined below) in January 1998 and will commence repayment of principal in respect of the Intercompany Loan on the Intercompany Payment Date falling in January 2004.

The Borrower may prepay moneys advanced and outstanding under any tranche of the Intercompany Loan, in whole or in part, on any Intercompany Payment Date in order to effect optional redemption of the equivalent class of Notes (including the payment of any redemption premium) in accordance with "Optional Redemption" above.

The final repayment date under the Intercompany Loan Agreement is on the Intercompany Payment Date falling in October 2027.

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

For further details of the Intercompany Loan Agreement see “Principal documents relating to the Notes — the Intercompany Loan Agreement” below.

Relationship between Intercompany Loan and the Notes

There can be an enforcement of the Intercompany Loan Agreement which does not result in an Event of Default (as defined in Condition 9) under the Notes, unless:

- (i) there are inadequate funds available to discharge in full all moneys due in respect of the class of Notes then most senior in the priority of payments; and/or
- (ii) there are inadequate funds available to discharge in full all moneys due in respect of all amounts ranking in priority to the class of Notes then most senior in the priority of payments; and/or
- (iii) an Event of Default otherwise occurs under the Conditions.

Security for the Intercompany Loan

The Intercompany Loan is secured over the assets, property and undertaking of the Borrower (including the Borrower's Accounts), certain property and assets of the Charging Subsidiaries and certain property interests of the Finance Lessors further described in “Summary of principal documents relating to the Notes — the Composite Debenture, Floating Charge Agreement and Floating Charge Trust Deed and Finance Lessor Charge” below, all such security being the “**Borrower Security**”.

Liquidity Facility

On the Further Closing Date, the Issuer and the Trustee will enter into the Restated Liquidity Facility Agreement with the Liquidity Facility Provider. For further information regarding the Restated Liquidity Facility Agreement including the circumstances under which drawings may be made thereunder and the conditions to such drawings, see “Resources Available to the Borrower and the Issuer — Restated Liquidity Facility Agreement” below.

Cap Agreement

On the Initial Closing Date, the Issuer and the Trustee entered into the Cap Agreement with the Cap Provider in order to protect the Issuer against any interest rate risk arising in respect of its three-month sterling floating rate interest obligations under the Class D Notes through a series of interest rate caps (each a “**Cap**”) pursuant to which the Cap Provider is required to make a payment to the Issuer in the event that, in respect of a particular Cap, LIBOR (as determined pursuant to the Cap Agreement) exceeds the strike rate set out in the relevant Cap Agreement. See further “Resources Available to the Borrower and the Issuer — Cap Agreement” below.

Management of Bank Accounts

The Issuer, the Borrower and the Trustee, on the Further Closing Date, will enter into a restated cash management agreement (the “**Restated Cash Management Agreement**”) with CWL pursuant to which CWL, is appointed to act as Cash Manager in respect of amounts standing from time to time to the credit of the Borrower's Accounts and the Issuer's Accounts and any other account of the Issuer or the Borrower from time to time. The Restated Cash Management Agreement amends and restates a cash management agreement (the

"Original Cash Management Agreement") dated the Initial Closing Date and made between the same parties appointing CWL as Cash Manager on and from the Initial Closing Date. The Cash Manager manages the bank accounts of the Borrower, including the transfer of sums from the Rental Receipts Account (as defined below) of the Borrower received by way of rack rental payments from tenants in respect of the Mortgaged Properties into the Issuer's Transaction Account. In return for the services provided, the Cash Manager receives a fee payable quarterly in arrear.

Other Agreements

On the Initial Closing Date, the Issuer also entered into the Bank Account Agreement. Further details of the terms of this agreement are set out in "Summary of Principal Documents Relating to the Notes" below.

Ratings

It is expected that the New Class A Notes will, when issued, be assigned an AAA rating by each of Fitch Ratings Limited (**"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 term shall include any further or replacement rating agency appointed by the Issuer with the approval of the Trustee to give a credit rating to the Notes or any class thereof). It is expected that the New Class B Notes will, when issued, be assigned an AA rating by each of the Rating Agencies. *A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings from the Rating Agencies do not address the likelihood of receipt by any New Noteholder of any redemption premium in respect of any of the New Notes.*

Tap Option

The Issuer is entitled (but not obliged) at its option from time to time without the consent of the Noteholders, to raise further funds by the creation and issue of (i) further Class A Notes (the **"Further Class A Notes"**), (ii) further Class B Notes (the **"Further Class B Notes"**), (iii) further Class C Notes (the **"Further Class C Notes"**) and (iv) further Class D Notes (the **"Further Class D Notes"**) and, together with the Further Class A Notes, the Further Class B Notes and the Further Class C Notes, the **"Further Notes"**) (having an aggregate initial Principal Amount Outstanding of not less than £25,000,000) each of which will be in bearer form and carry the same terms and conditions in all respects (other than the issue date, the first Interest Period, the first Interest Payment Date, the amount of the first Interest Payment and the first Amortisation Amount) as, and so that the same shall be consolidated and form a single series, and rank *pari passu* with, the relevant class of Notes.

It shall be a condition precedent to the issue of any Further Notes that (i) they are assigned the same ratings as are then applicable to the relevant class of Notes, (ii) the ratings of each class of the Notes at that time are not adversely affected by such further issue, (iii) the Issuer will enter into such other arrangements as may be necessary to obtain the necessary ratings for the Further Notes and (iv) (unless the Rating Agencies otherwise consent) the Issuer will create and issue Further Class B Notes in a proportion to the Further Class A Notes which is no less than the proportion which the Class B Notes would represent of the Class A Notes on the closing date of the issue of such Further Notes (the **"Further Closing Date"**) on the assumption that Notes shall have been redeemed only in accordance with the provisions of Condition 5(b)(i) (whether or not that is in fact the case) and will create and issue Further Class C Notes in a proportion to the Further Class B Notes which is not less than the proportion which the Class C Notes would represent of the Class B Notes on the relevant Further Closing Date on the assumption that Notes shall have been redeemed only in accordance with the provisions of Condition 5(b)(i) (whether or not that is in fact the case) and will create and issue Further Class D Notes in a proportion to the Further Class C Notes which is not less than the proportion which the Class D Notes would represent of the Class C Notes on the relevant Further Closing Date calculated on the assumption that Notes shall have been redeemed only in accordance with Condition 5(b)(i) (whether or not that is in fact the case). Any Further Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of security as described in this document.

In relation to the New Notes, the Rating Agencies have consented to the issue of the New Class A Notes and the New Class B Notes, without the need to create Further Class C Notes and Further Class D Notes as set out in (iv) above and Trustee has consented to the New Notes being issued other than on an Interest Payment Date.

Listing and Trading

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the **"UK Listing Authority"**) for the New Notes to be admitted to the official list of the UK Listing Authority (the **"Official List"**) and to the London Stock Exchange plc (the **"London Stock Exchange"**) for such New Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the official list of the UK Listing Authority together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange.

Governing Law

The Trust Deed, the Issuer Deed of Charge, the Agency Agreement, the Restated Intercompany Loan Agreement, the Composite Debenture, the Floating Charge Agreement, the Bank Account Agreement, the Restated Cash Management Agreement, the Floating Charge Trust Deed, the Finance Lessor Charge, the Share Charge, the Borrower Loan, the Notes, the Coupons and the other Relevant Documents (as each such term is defined herein) are, and will be governed by, and shall be construed in accordance with, English law.

SUMMARY OF PRINCIPAL DOCUMENTS RELATING TO THE NOTES

The following is intended only to be a summary of certain provisions of the documents relating to the Notes.

The Intercompany Loan Agreement

Initial Advance

The Original Intercompany Loan Agreement was made between, *inter alios*, the Issuer, the Borrower, the Charging Subsidiaries and the Trustee on the Initial Closing Date. Under the terms of the Original Intercompany Loan Agreement, the Issuer agreed to advance to the Borrower, on the Initial Closing Date, an amount of £555,000,000 (the **"Initial Advance"**), being 74.9 per cent. of the aggregate of the values of the Mortgaged Properties at that time and the reserves then held in the Interest Shortfall Account and Fitting Out Account, in 4 tranches (the **"Class A Tranche"** (in an aggregate principal amount of £270,000,000), the **"Class B Tranche"** (in an aggregate principal amount of £80,000,000), the **"Class C Tranche"** (in an aggregate principal amount of £120,000,000) and the **"Class D Tranche"** (in an aggregate principal amount of £85,000,000), respectively). The Initial Advance was used by the Borrower (i) to on-lend to certain of the Charging Subsidiaries and other members of the Canary Wharf Group to repay their existing indebtedness and for the general corporate purposes of the Canary Wharf Group, including, the funding of deposits in favour of any one or more of the Finance Lessors to secure certain lease obligations of certain of the Charging Subsidiaries under certain finance leases entered into with the Finance Lessors (as to which see "Finance Lessor Charge" and "Substitution and Releases of Mortgaged Properties — Finance Leases" below); (ii) to establish an account (the **"Interest Shortfall Account"**) in an amount of £12,250,000 which was to be used by the Borrower to cover amounts due under the Intercompany Loan Agreement to the extent that they were not covered by rental income from the Mortgaged Properties (on account of vacant space or rent-free periods), (iii) to establish an account (the **"Fitting Out Account"**) in an amount of £20,000,000 which was to cover, or to cover the reimbursement of, fitting out costs incurred in respect of lettings of vacant space in the Mortgaged Properties (including for this purpose, 25 The North Colonnade which was then subject to an agreement for lease) (see further "The Borrower's Bank Accounts" below) and (iv) in making the advance under the Original Borrower Loan. Each of the Fitting Out Account and Interest Shortfall Account has now been closed. The proceeds of the advance made by the Borrower to the Issuer on the Initial Closing Date pursuant to the Original Borrower Loan were credited to the First Loss Fund Account (as referred to below) of the Issuer. See further "Resources Available to the Issuer — First Loss Fund" below.

The Original Intercompany Loan Agreement, together with the Original Composite Debenture, the Floating Charge Agreement and the Floating Charge Trust Deed described below, are the Issuer's principal assets. The Intercompany Loan is an amortising loan, the principal in respect of which will be repayable in instalments during the term of the loan on 17th January, 17th April, 17th July and 17th October in each year (each an **"Intercompany Payment Date"**) commencing with the Intercompany Payment Date falling in January 2004, with the final Intercompany Payment Date falling in October 2027.

Further Advances

The Restated Intercompany Loan Agreement will be made between, *inter alios*, the Issuer, the Borrower, the Charging Subsidiaries and the Trustee on the Further Closing Date. Under the terms of the Restated Intercompany Loan Agreement, the Issuer will agree to advance to the Borrower, on the Further Closing Date an amount equal to the proceeds of the issue of the New Notes in two tranches (the **"Further Class A Tranche"** and the **"Further Class B Tranche"**, respectively) each such tranche being in a principal amount equal to the proceeds of the issue of the corresponding class of Further Notes (the **"Further Advance"**) and, in connection with such Further Advance, will pay to the Borrower a premium of an amount equal to the premium received by the Issuer on the issue of the Further Notes. The Further Advance will be used or applied for general corporate purposes of the Canary Wharf Group.

Payment of Interest and Repayment of Principal

The Intercompany Loan Agreement contains provisions for determining the amount of interest payable on each Intercompany Payment Date in respect of each tranche (until any such tranche is repaid) (each a **"Scheduled Interest Amount"** and, in aggregate, the **"Scheduled Interest Payment"**) and a schedule setting out the amount of principal payable on each such date in respect of the relevant tranche (each a **"Scheduled Principal Amount"** and, in aggregate, the **"Scheduled Principal Payment"**). Interest on the Class A Tranche accrues at an annual rate of 7.24 per cent. per annum, interest on the Class B Tranche accrues at an annual rate of 7.435 per cent. per annum, interest on the Class C Tranche accrued at an annual rate of 5.01 per cent. per annum until the Intercompany Payment Date falling in October 1999 and accrues in successive stepped interest amounts thereafter, and interest on the Class D Tranche accrues at an annual rate equal to the sum of LIBOR (subject to a maximum rate of LIBOR payable of 8.5 per cent. per annum) plus a margin of 1.10 per cent. per annum up to and including the Intercompany Payment Date falling in January 2003 and thereafter a margin of 3.10 per cent. per annum.

The Scheduled Interest Payment payable on a particular Intercompany Payment Date together with the Scheduled Principal Payment payable on such date is herein referred to as the **"Scheduled Payment"**. If any prepayment of any tranche of the Intercompany Loan is made in part (as to which see "Prepayment" below) the Cash Manager will re-calculate the Scheduled Principal Amount due in respect of such tranche on subsequent Intercompany Payment Dates by reducing, *pro rata*, the relevant Scheduled Principal Amount and notifying the Issuer, the Borrower and the Trustee thereof forthwith. Reference in this document to a "Scheduled Principal Payment" or to a "Scheduled Principal Amount" shall include reference to such amounts recalculated as aforesaid.

Notwithstanding the tranching of the payments to be made by the Borrower to the Issuer under the Intercompany Loan Agreement, all of such amounts (whether comprising any Scheduled Interest Payment or any Scheduled Principal Payment) will, upon payment to the Issuer, be aggregated in the hands of the Issuer and will be utilised, without priority between any such amounts, in the manner more particularly set out under "Priority of Application of Amounts" in the section "Resources Available to the Borrower and the Issuer" below.

If the Estate Manager has been replaced by a substitute estate manager which is not a member or affiliate of the Canary Wharf Group and an Intercompany Loan Enforcement Notice has been served, the Borrower will pay, by way of indemnity, any amount not recovered from the occupational tenants which is required to ensure that that part of the fee for managing the Estate which is referable to the Mortgaged Properties is paid and that the Estate continues to be managed in accordance with the principles of good estate management.

Where any amount of the Scheduled Payment has not been received by the Issuer on or before an Intercompany Payment Date, the Borrower will indemnify the Issuer against (i) the Issuer's cost of funding the payments of the amount of interest accrued on any drawing under the Liquidity Facility made as a result of such non-receipt or (ii) if the Issuer is not able to make a drawing of the full amount or any part thereof, as the case may be, of the Scheduled Payment under the Liquidity Facility or if no liquidity facility (including the Liquidity Facility) is then available and if any such amount has not been received by the Issuer within 4 business days after the Intercompany Payment Date, an amount calculated by multiplying the amount not so received by 2 per cent. above Barclays Bank PLC's base lending rate per annum in respect of the number of days elapsed from and including the relevant Intercompany Payment Date up to but excluding the date on which the relevant amount is received by the Issuer, calculated on a daily basis. Further, the Borrower will pay (iii) the difference between the interest accrued under the Liquidity Facility on a Standby Drawing (as defined below) and the amount earned by way of investment of the amount representing such Standby Drawing (each of such amounts referred to in (i), (ii) and (iii) above being referred to as an **"Additional Amount"**).

Any Additional Amounts (other than Additional Amounts payable in respect of a Standby Drawing) payable under the Intercompany Loan Agreement will be payable on the day on which the overdue Scheduled Payment (or the relevant part thereof, as the case may be) is made by the Borrower.

The Borrower will also pay, by way of indemnity, loan or otherwise on each Intercompany Payment Date, such amounts as are necessary to pay or provide for any liabilities of the Issuer not provided for in the calculation of the Scheduled Payment.

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

Prepayment

The Borrower may prepay moneys advanced and outstanding under any tranche of the Intercompany Loan, in whole or in part, on any Intercompany Payment Date in order to effect optional redemption of the equivalent class of Notes in accordance with Condition 5. Following any prepayment of a part of any tranche or tranches of the Intercompany Loan, the Cash Manager shall re-calculate the amount of each Scheduled Principal Amount and each Scheduled Interest Amount due in respect of the relevant tranche or tranches on subsequent Intercompany Payment Dates as aforesaid.

FLF Advances

The Intercompany Loan Agreement provides that interest free further advances (each an "FLF Advance") in an amount which, when aggregated with any outstanding FLF Advances, does not cause such aggregate to exceed 25 per cent. of the total initial amount standing to the credit of the First Loss Fund Account on the Further Closing Date (the "FLF Initial Amount") may be made by the Issuer from the First Loss Fund Account to the Borrower at any time during an interest period under the Intercompany Loan Agreement for the purpose of enabling the Borrower to cover expenditure incurred in relation to the Mortgaged Properties which is necessary or desirable in the interests of good management of the Estate to the extent such expenditure is not covered by service charge collections. No drawings will be permitted to cover the remuneration, fees or other costs of the board members of CWG, CWHL, the Issuer or the Borrower. An event of default under the Intercompany Loan Agreement will only occur in respect of any outstanding FLF Advance in the event that such FLF Advance has not been repaid in full on the third Intercompany Payment Date following the date on which that FLF Advance was made. The oldest outstanding FLF Advance will be repaid before any more recent FLF Advance on any Intercompany Payment Date. No FLF Advance may be made after the service of an Intercompany Loan Enforcement Notice.

Priority of Application of Funds Available to the Borrower

Prior to service of an Intercompany Loan Enforcement Notice, rack rents (that is, rents exclusive of other rents, such as insurance, service charge rents etc.) deriving from the Mortgaged Properties collected into the Rental Receipts Account of the Borrower together with all other monies comprised in the definition of Pre-Enforcement Available Issuer Revenue (as to which see "Resources Available to the Borrower and the Issuer" below) on each Intercompany Payment Date will be applied in the order of priorities set out under the heading "Pre-Enforcement Borrower Priority of Payments" in the section entitled "Resources Available to the Borrower and the Issuer".

After the service of an Intercompany Loan Enforcement Notice, amounts standing to the credit of the Rental Receipts Account on an Intercompany Payment Date will be applied in the order of priorities set out under the heading "Post-Enforcement Borrower Priority of Payments" in the section entitled "Resources Available to the Borrower and the Issuer".

Conditions Precedent

It will be a condition precedent to the Issuer making the Further Advance available to the Borrower under the Restated Intercompany Loan Agreement that each of the Issuer and the Trustee is satisfied on the Further Closing Date that, *inter alia*:

- (i) the New Notes have been issued and the subscription proceeds have been received by or on behalf of the Issuer;
- (ii) delivery is made of the Certificate of Title in respect of the Mortgaged Properties and dated on the Further Closing Date and addressed to the Trustee and the Issuer;
- (iii) delivery is made of solvency certificates from each of the Borrower and the Charging Subsidiaries; and
- (iv) each of the documents referred to in (iii) above are duly executed by the parties thereto.

Warranties

No independent investigation with respect to the matters warranted in the Intercompany Loan Agreement will be made by the Issuer or the Trustee, other than a search on the Further Closing Date against the Borrower and each Charging Subsidiary in the relevant file held by the Registrar of Companies and at the Companies Court in respect of winding-up petitions and searches against the Mortgaged Properties at H.M. Land Registry. Apart from such searches, in relation to such matters, the Issuer and the Trustee will rely entirely on the warranties to be given by the Borrower and each Charging Subsidiary to be contained in the Restated Intercompany Loan Agreement. The warranties are, however, qualified by disclosures made in a disclosure letter and the documents appended thereto (together, the **"Disclosure Letter"**) to be given by the Borrower and the Charging Subsidiaries to the Issuer and the Trustee on the Further Closing Date. These will include warranties as to the following and other matters, namely that, in respect of the Borrower and each Charging Subsidiary, as applicable:

1. (a) No event of default or potential event of default is outstanding or might reasonably be expected to result from the making of the Further Intercompany Loan; and
 - (b) no other event is outstanding which constitutes a default under any document which is binding on it or any of its assets to an extent or in a manner which has a material adverse effect (a **"Relevant Material Adverse Effect"**) on the ability of the Borrower to perform,
 - (i) its payment obligations under the Intercompany Loan Agreement; or
 - (ii) any of its other obligations under the Intercompany Loan Agreement where the non-performance of such obligations would have a material and adverse effect on the aggregate value of the Mortgaged Properties or the ability of the Borrower to obtain the benefit of the income receivable therefrom.
2. It did not have, at the date as of which the accounts of the Borrower and each Charging Subsidiary were last prepared, any material liabilities (contingent or otherwise) which were not disclosed thereby (or by the notes thereto) or reserved against therein, nor were there at that date any material unrealised *anticipated losses arising from commitments entered into by it which were not so reserved or disclosed against*, which non-disclosure, failure to reserve or unrealised anticipated losses would be reasonably likely to have a Relevant Material Adverse Effect.
3. There has been no material adverse change since the date of preparation of the last accounts of the Borrower and each Charging Subsidiary in its financial condition or business which would be reasonably likely to have a Relevant Material Adverse Effect.
4. No litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened, which might reasonably be expected to be determined adversely to it and, if adversely determined, to have a Relevant Material Adverse Effect. For the purposes of this warranty, a reference to litigation, arbitration or administrative proceedings being "pending" shall include circumstances where a writ, summons or other instrument necessary to commence such proceedings has been issued by the appropriate court, arbitrator or official body but has not been served on a member of the Canary Wharf Group.
5. (a) All written factual information supplied by it to the Issuer and the Trustee in connection with the Intercompany Loan Agreement, the Composite Debenture, the Floating Charge Agreement,

the Floating Charge Trust Deed, the Restated Borrower Loan Agreement, the Restated Cash Management Agreement, the Bank Account Agreement and the Finance Lessor Charge (together, the **"Finance Documents"**) is as at the date delivered true, accurate and, save where expressed or implied in the relevant document, complete in all material respects as at its date;

- (b) the information referred to in paragraph 5(a) above did not omit as at its date any information concerning the Canary Wharf Group or its assets which, if disclosed, might reasonably be expected to adversely affect the decision of a person considering whether or not to enter into the Intercompany Loan Agreement; and
- (c) nothing has occurred since the date the information referred to in paragraph 5(a) above was provided which renders that information untrue or misleading in any material respect and which has not been disclosed prior to the date of the Intercompany Loan Agreement and if disclosed, might reasonably be expected to affect adversely the decision of a person considering whether or not to enter into the Intercompany Loan Agreement.

6. (a) Each Charging Subsidiary:

- (i) is the legal and/or, as the case may be, absolute and sole beneficial owner of its interest in each Mortgaged Property set against its name in the Composite Debenture over which it has purported to create a security interest, in favour of the Issuer and the Trustee, under the Composite Debenture; and
- (ii) has a good and legally marketable title to that interest or those interests, as the case may be,

in each case free from security interests (other than permitted security interests as set out in the Intercompany Loan Agreement), tenancies, overriding interests, adverse claims or ownership interests or licences and free from restrictions and onerous covenants (in each case, other than as permitted or contemplated by the Finance Documents) in each case which affects or might affect materially and adversely the value of that Mortgaged Property, and all deeds and documents necessary to show good and legally marketable title to the Mortgaged Property are in the possession of, or held at an appropriate H.M. Land Registry to the order of, the Trustee or to the order of the Trustee by the Borrower's solicitors.

- (b) (i) The information provided to the solicitors who prepared the Certificate of Title for the purpose of that Certificate was true and accurate in all material respects at the date it was expressed to be given;
- (ii) the information referred to in sub-paragraph (b)(i) above was not, at the date it was expressed to be given, misleading in any material respect by reason of any omission; and
- (iii) since the date of any information referred to in sub-paragraph (b)(i) above, nothing has occurred which renders that information untrue or misleading in any material respect.
- (c) The contents of the lease summaries provided to each of the Issuer and the Trustee and its solicitors are correct and complete in all material respects.
- (d) Each Charging Subsidiary is the absolute sole legal and/or, as the case may be, beneficial owner of all assets (other than the relevant Mortgaged Property) charged by it under the Composite Debenture including, without limitation, the rents payable in relation to its Mortgaged Property, all other receivables arising from or in connection with its Mortgaged Property and any bank account charged pursuant to the Composite Debenture.

7. (a) All information provided to the valuers of the Mortgaged Properties (being CB Hillier Parker Limited and FPD Savills Commercial Limited (together, the **"Valuers"**)) by the Canary Wharf Group for the purposes of the Valuations (as defined below) set out in this document was accurate as corrected or updated prior to the date of such valuation certificates (the **"Valuation**

Certificates") in all material respects and no information was omitted by the Canary Wharf Group which would make that information misleading in any material respect; and

- (b) there has been no material adverse change to the information provided pursuant to paragraph (a) above in respect of the valuations (the "**Valuations**") made by the Valuers between the date such information was provided and the date of the Intercompany Loan Agreement.
8. Subject as specifically disclosed in the Environmental Report (as defined below):
- (a) it is and has been in material compliance with all applicable Environmental Laws (as defined in the Intercompany Loan Agreement) and there are no circumstances known to it that may prevent or interfere with such compliance in the future where in any such case non-compliance would be reasonably likely to have a Relevant Material Adverse Effect and there are no circumstances known to it that could reasonably be expected to give rise to any liability under Environmental Laws which liability would be reasonably likely to have a Relevant Material Adverse Effect;
 - (b) it has been and is in material compliance with the terms of any Environmental Licences (as defined in the Intercompany Loan Agreement) necessary for the ownership and operation of its facilities and businesses as presently owned and operated where in any such case non-compliance with or the lack of any such Environmental Licences would be reasonably likely to have a Relevant Material Adverse Effect;
 - (c) there is no Environmental Claim (as defined in the Intercompany Loan Agreement) pending or threatened against it, and there are no past or present acts, omissions, events or circumstances which are reasonably likely to form the basis of any Environmental Claim against it and which in any such case would be reasonably likely to have a Relevant Material Adverse Effect. For the purposes of this paragraph (c) a reference to an Environmental Claim being "pending" shall include circumstances where a writ, summons or other instrument necessary to commence an Environmental Claim has been issued by the appropriate court, arbitrator, official body, governmental or regulatory authority or third party but has not been served on it; and
 - (d) no Dangerous Substance (as defined in the Intercompany Loan Agreement) has been used, disposed of, generated, stored, transported, dumped, deposited, buried or emitted at, on, from or under its Mortgaged Property which would be reasonably likely to have a Relevant Material Adverse Effect.
9. It is not insolvent nor unable to pay its debts (within the meaning of section 123 of the Insolvency Act 1986) and it has not taken any action nor, so far as it is aware, having made all reasonable enquiry, have any steps been taken or legal proceedings been started or threatened against it for winding-up, dissolution or reorganisation, the enforcement of any encumbrance over its assets or for the appointment of a receiver, administrative receiver or administrator, trustee or similar officer of it or of any or all of its assets or revenues.
10. (a) The list of insurance policies (such policies including any renewals or replacements for the same being, the "**Insurance Policies**") for the Charging Subsidiaries set out in the Composite Debenture is true and accurate in all material respects;
- (b) each of the Insurance Policies is in full force and effect, all premiums thereon have been paid in full and there are no material outstanding claims under any of the Insurance Policies;
 - (c) there has been no material breach of any term of any Insurance Policy which would entitle the relevant insurer to avoid the same;
 - (d) to the extent that the warranty in sub-clause 10(e) hereof cannot be complied with, then each of the Insurance Policies to which sub-clause 10(e) hereof does not apply can be assigned by way of security to the Issuer and charged by the Issuer to the Trustee; and

- (e) subject to sub-paragraph 10(d) above at or immediately following the Initial Closing Date and the Further Closing Date, the Issuer and the Trustee were and will continue to be a co-insured under each Insurance Policy.
11. (a) There subsists no breach of any law or regulation which affects or might reasonably be expected to affect materially and adversely the aggregate value of the Mortgaged Properties;
- (b) there are no agreements, stipulations, reservations, conditions, interest, rights or other matters whatsoever which are not permitted or contemplated by the Finance Documents and which materially and adversely affect the aggregate value of the Mortgaged Properties;
- (c) no facility necessary for the use of any Mortgaged Property for its current use is enjoyed on terms entitling any person to terminate or curtail its use which are not permitted or contemplated by the Finance Documents; and
- (d) it has received no notice of any adverse claim by any person in respect of the ownership of any Mortgaged Property or any interest in any Mortgaged Property, nor has any acknowledgement of an adverse claim been given to any person in respect of any Mortgaged Property which in either case might reasonably be expected to affect materially and adversely the aggregate value of the Mortgaged Properties.

The representations and warranties in the Intercompany Loan Agreement were given on the Initial Closing Date, and will be given on any further closing date (including the Further Closing Date) and, in certain cases only, will be repeated on each Intercompany Payment Date subject to the exception that:

- (a) no further disclosure (limiting liability for any representation and/or warranty) may be made on repetition of a representation and/or warranty; and
- (b) any breach of a representation or warranty on repetition will only constitute an event of default under the Intercompany Loan Agreement if it would have a Relevant Material Adverse Effect.

Breach of representations or warranties will, subject to a cure period and the qualification in relation to repetition set out above, constitute an event of default only and the Issuer and the Trustee shall have no other rights in respect of such breach.

Disclosure Letter

In relation to the warranties, the Disclosure Letter to be issued on the Further Closing Date discloses, in addition to the information contained in the Certificate of Title, all outstanding insurance claims relating to the Mortgaged Properties as at that date, the largest of such claims not exceeding £10,000.

LTV Covenant

A loan to value ("LTV") covenant from the Borrower is contained in the Intercompany Loan Agreement. Releases of Mortgaged Properties from the security created by the Composite Debenture are permitted if (i) the LTV does not exceed 60 per cent. without taking into account the value of the Mortgaged Property or Mortgaged Properties to be released, (ii) in the reasonable opinion of the Cash Manager, such release will not have a Relevant Material Adverse Effect in relation to the Mortgaged Properties which are not being released from the security created by the Composite Debenture and (iii) the disposal will not lead to a downgrading of the then current ratings by the Rating Agencies of any class of the Notes. To the extent LTV exceeds 100 per cent., additional properties and/or Eligible Investments with a value not less than such excess will be required to be provided as security for the Borrower's obligations under the Intercompany Loan Agreement. Failure to do so within 30 business days is an event of default under the Intercompany Loan Agreement. The value of additional properties provided as security as aforesaid will be determined on the basis of their open market value as certified by an independent third party surveyor who is a fellow of the Royal Institute of Chartered Surveyors ("RICS") (of 10 years experience in the commercial property market in London) and is not a sole practitioner (see also "Substitution and Releases of Mortgaged Properties" below). In calculating the LTV, the amount of any cash or Eligible Investments held by the Borrower and any sums standing to credit of the First Loss Fund Account, the

Issuer's Transaction Account and the Defeasance Account together with any Eligible Investments held by the Issuer shall be deducted from the loan element of the calculation (such loan minus cash to value calculation being herein referred to as the "LMCTV Test"). As at the Further Closing Date the LTV will be 58.6 per cent.

Other Covenants

The Borrower and each Charging Subsidiary has undertaken not to dispose of or to create any encumbrance over any of the property the subject of a first fixed mortgage or fixed charge under the Composite Debenture (other than as expressly permitted therein) or any debenture secured upon same property. Certain disposals of property are permitted in certain pre-agreed circumstances provided that it does not lead to a downgrading of the then current ratings by the Rating Agencies of any class of the Notes (see further "Substitution and Releases of Mortgaged Properties" below). However, the Charging Subsidiaries have an unfettered ability to create fixed or floating charges over properties on the Estate or any other properties in which they may from time to time have acquired any interest which do not form part of the Mortgaged Properties.

Additional covenants include, *inter alia*, maintenance of insurances (subject to availability), provision of information and accounts, notification of default, provision of compliance certificates, maintenance of authorisations and consents, ranking of liabilities, a negative pledge (subject to agreed exceptions), restrictions on transactions similar to security, restrictions on disposals (subject to agreed exceptions), restrictions on change of business, restrictions on mergers and acquisitions (subject to approval), restrictions on dividends by the Borrower, no new subsidiaries or joint ventures in relation to the Mortgaged Properties (subject to approval), no surrender of tax losses to any company which is not a Charging Subsidiary other than for full value, further assurance and delivery of deeds, making of registrations and filings, permitting access to Mortgaged Properties, payment of taxes, valuation and property covenants (as to which see "Property Covenants and Leasing and Re-leasing Criteria" below).

Events of Default

The Intercompany Loan Agreement contains a number of events of default which fall into two main categories, namely those which are unqualified (such as events of default for non-payment, insolvency of the Borrower or any Charging Subsidiary and a cross-acceleration provision (subject to a financial threshold)) and those which, to constitute an event of default, must have a Relevant Material Adverse Effect (such as breach of certain other obligations other than payment obligations, compulsory purchase and commencement of litigation). Certain grace periods before an event of default may be called have been agreed.

The occurrence of an event of default (or of a potential event of default or of any event where the Trustee considers the security created by the Composite Debenture to be threatened or in jeopardy under the Intercompany Loan Agreement and, in either case, reasonably considers that the interests of the Noteholders will be materially prejudiced) will, upon notice being given by the Issuer or the Trustee as sub-chargee, result in the floating charge granted by the Borrower and contained in the Composite Debenture crystallising so as to become a fixed charge.

An event of default under the Intercompany Loan will not, of itself, constitute an Event of Default under the Notes (see "Summary Information — Relationship between Intercompany Loan and the Notes" above).

The Intercompany Loan Agreement is governed by English law.

The Composite Debenture

The obligations of the Borrower under the Intercompany Loan Agreement are secured by the assets of the Borrower and, to a limited extent, by certain assets of each Charging Subsidiary pursuant to the Composite Debenture and Floating Charge Agreement and by the property interests only of the Finance Lessors pursuant to the Finance Lessor Charge. A composite debenture was entered into on the Initial Closing Date by, *inter alios*, the Borrower, the Issuer, the Trustee and the Charging Subsidiaries (the "Composite Debenture").

Under the Composite Debenture, the Borrower and each of the Charging Subsidiaries agreed to provide the Issuer with the following security (the **"Borrower Security"**) over their respective property, assets and undertaking (the **"Charged Property"**) (and which will include the Mortgaged Properties):

(a) *The Borrower*

First priority fixed and floating charges over all assets of the Borrower (including first fixed charges over the Rental Receipts Account, the Fitting Out Account, the Interest Shortfall Account, the Cash Collateral Account and any other account of the Borrower existing from time to time (together, the **"Borrower's Accounts"**)); and

(b) *Each Charging Subsidiary*

First priority fixed charges, or, as the case may be, assignments by way of security of or over certain assets of the Charging Subsidiaries, namely: (i) the Mortgaged Properties, (ii) all rental income from the Mortgaged Properties, (iii) certain insurances, licences, consents and authorisations (statutory or otherwise) held by the Charging Subsidiaries in connection with the Mortgaged Properties or the use of the Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect of them, (iv) plant and machinery located at the Mortgaged Properties either owned by a Charging Subsidiary or in which any Charging Subsidiary has an interest and (v) rights under the management, building, professional and other contracts in respect of the Mortgaged Properties.

The First Tower Limited Partnership (**"FTLP"**) is the beneficial owner of leasehold interests for floors 5, 6, 10, 25, 26, 27, 29 and 30 of One Canada Square (together, the **"FTLP Lease"**). Under the FTLP Lease, FTLP is entitled to receive a ground rent in the order of £5,000 per annum and is obliged to pay a ground rent in the order of £2,000 per annum. The legal estate in the FTLP Lease is held by First Tower T1 Limited and First Tower T2 Limited as trustees of land for FTLP. FTLP has 14 partners. First Tower GP(1) Limited and First Tower GP(2) Limited are general partners and are subsidiaries of CWHL. There are 12 limited partners called First Tower LP(1) Limited, First Tower LP(2) Limited and so on until First Tower LP(12) Limited. These limited partners are all owned by a third party (the **"FTLP Third Party"**) and are entitled to 99.99 per cent. of partnership interests in FTLP (leaving the general partners with 0.01 per cent.).

Under the arrangements with the FTLP Third Party, the Canary Wharf Group cannot permit any of FTLP, its partners or its trustees (together, the **"FTLP Parties"**) to incur any obligations or to grant any security without the prior consent of the FTLP Third Party. *Thus, without such consent, those of the Charging Subsidiaries listed in Part 2 of Part A of Appendix 2 hereto cannot charge their interest in the FTLP Lease.*

As at the date hereof, the FTLP Third Party has not consented to the grant of security by those Charging Subsidiaries over the FTLP Lease and, notwithstanding that such consent had not been obtained on or prior to the Initial Closing Date, the Rating Agencies confirmed that the exclusion of such interest would not adversely affect the ratings of the Notes. Therefore the FTLP Lease does not comprise one of the Mortgaged Properties and the Charging Subsidiaries listed in Part 2 of Part A of Appendix 2 hereto are not Charging Subsidiaries for the purposes of the Composite Debenture.

FPDSavills Commercial Limited, in their valuation certificate dated 31st January, 2001 confirmed that if the interest the subject of the FTLP Lease were excluded from a sale of One Canada Square there would be no material impact on the value of One Canada Square as a whole. The rent payable to the landlord under the FTLP Lease net of the landlord's obligation to its landlord is £3,000 per annum.

In addition, a limited floating charge (enabling the chargee to block the appointment of an administrator of the relevant Charging Subsidiary) was granted by each Charging Subsidiary with an interest in the Mortgaged Properties in favour of the Trustee pursuant to the Floating Charge Agreement, with a further provision that the benefit of such limited floating charge may be shared with any third party creditor (if so requested by the relevant Charging Subsidiary) by way of a trust mechanism pursuant to the Floating Charge Trust Deed (see further **"Floating Charge Agreement and Floating Charge Trust Deed"** below).

The Trustee, as sub-chargee under the Issuer Deed of Charge, holds the benefit of the security created in the Issuer's favour under the Composite Debenture on trust for the benefit of itself, any receiver of the Borrower or any Charging Subsidiary and the Issuer (together, the **"Borrower Secured Parties"**), upon and subject to the terms thereof. All proceeds of realisation of the security received by the Trustee will be applied in the manner described below. Surplus cash available to the Issuer and the Trustee in these circumstances will be used to repay principal outstanding on the Notes in the manner described herein.

The Charging Subsidiaries, in addition, have each agreed with the Issuer and the Trustee (for the benefit of the Borrower Secured Parties), broadly, that whilst any amounts remain due and outstanding under the Intercompany Loan Agreement, they will not take any steps or pursue any action for the purpose of recovering any debts due or owing to it by the Borrower or, as applicable, to petition or procure the petitioning for the winding-up or administration of the Borrower, any Charging Subsidiary or the Issuer or the appointment of an administrative receiver in respect of any such company or to take or omit to take any steps whatsoever which may otherwise threaten or prejudice the security created in favour of the Issuer under the Composite Debenture.

The benefit of the Composite Debenture was charged and, as applicable, assigned to the Trustee pursuant to the Issuer Deed of Charge (see below). Upon the service of an Intercompany Loan Enforcement Notice pursuant to the terms of the Composite Debenture, all payments under or arising from the Composite Debenture (subject as provided below) are required to be made to the Trustee or to its order (except as otherwise provided for in the Composite Debenture). All rights or remedies provided for by the Composite Debenture or available at law or in equity to the Issuer are exercisable by the Trustee.

The Issuer has agreed that, unless an Intercompany Loan Enforcement Notice has been served, it will not take any steps whatsoever to enforce the security created in its favour under the Composite Debenture nor will it take any steps or pursue any action whatsoever for the purpose of recovering any debts due or owing to it by the Borrower or to petition or procure the petitioning for the winding-up or administration of the Borrower or the appointment of an administrative receiver in respect of any such company.

The Composite Debenture is governed by English law.

Floating Charge Agreement and Floating Charge Trust Deed

Simultaneously with the execution and completion of the Composite Debenture, each of the Charging Subsidiaries entered into a floating charge agreement (the **"Floating Charge Agreement"**) by way of deed with, *inter alios*, the Trustee, whereby it created, in favour of the Trustee, a floating charge over the whole or substantially the whole of its assets and undertaking, the principal purpose of which was to provide the Trustee with the right to appoint an administrative receiver in respect of such Charging Subsidiary if, in respect of that Charging Subsidiary, a petition is presented by a third party for the appointment of an administrator under the provisions of the Insolvency Act 1986.

The right of appointment of an administrative receiver is regulated by means of a trust deed relating to the Floating Charge Agreement (the **"Floating Charge Trust Deed"**) which was entered into simultaneously with the execution and completion of the Composite Debenture and the Floating Charge Agreement whereby the Trustee (in its capacity as the trustee under the Floating Charge Trust Deed) agreed that it holds all of its rights as chargee under the Floating Charge Agreement on trust for itself (as initial beneficiary) and, in turn, for the benefit of the Secured Parties and for any other beneficiaries from time to time which may accede to the Floating Charge Trust Deed. In the future, additional beneficiaries, who are expected to be the chargees/security trustees in respect of other discrete financings entered into by any of the individual Charging Subsidiaries, may accede to the Floating Charge Trust Deed so as to benefit also from the rights vested in the Trustee (in its capacity as trustee under the Floating Charge Trust Deed) in respect of any one or more of the floating charges granted by the Charging Subsidiaries under the Floating Charge Agreement.

The Borrower also created first floating charges over all of its assets not subject to fixed security pursuant to the Composite Debenture.

The Floating Charge Agreement and Floating Charge Trust Deed are each governed by English law.

Issuer Deed of Charge

The Issuer and the Trustee, among others, entered into a deed of charge (the **"Original Issuer Deed of Charge"**) on the Initial Closing Date.

Under the Original Issuer Deed of Charge the Issuer granted the following security in favour of the Trustee who holds such security on trust for the benefit of itself, the Noteholders, the Liquidity Facility Provider, the Cap Provider, the Cash Manager, the Paying Agents, the Agent Bank, the Account Bank and the Borrower (in respect of the Borrower Loan) (together the **"Secured Parties"**):

- (i) an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under the Intercompany Loan Agreement, and any accession deed entered into by any Charging Subsidiary pursuant to the Intercompany Loan Agreement;
- (ii) a first fixed sub-charge and/or, as applicable, an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under (a) the Composite Debenture, and any debenture entered into by any Charging Subsidiary pursuant to the Composite Debenture, (b) the Finance Lessor Charge and any deed or agreement supplemental thereto and (c) the Bank Account Agreement;
- (iii) an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under:
 - (aa) the Original Liquidity Facility Agreement;
 - (bb) the Cap Agreement;
 - (cc) the Original Cash Management Agreement;
 - (dd) the Subscription Agreement;
 - (ee) the Original Agency Agreement; and
 - (ff) the Original Borrower Loan Agreement;
- (iv) an assignment by way of a first fixed security over the amounts from time to time standing to the credit of the Issuer's Accounts (subject as described above);
- (v) a first fixed mortgage over the issued shares in the Borrower;
- (vi) a first fixed charge over the Eligible Investments (as defined below) of the Issuer (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (vii) a first ranking floating charge over all assets and undertaking of the Issuer not effectively charged by the first ranking fixed security interests referred to above.

A supplemental issuer deed of charge will be entered into on the Further Closing Date between the same parties (the **"Supplemental Issuer Deed of Charge"** and, together with the Original Issuer Deed of Charge the **"Issuer Deed of Charge"**) by which the following security will be granted in favour of the Trustee for the benefit of the Secured Parties, namely an assignment by way of first fixed security of:

- (i) the Further Subscription Agreement;
- (ii) the First Supplemental Agency Agreement;
- (iii) the Restated Borrower Loan Agreement;
- (iv) the Restated Liquidity Facility Agreement; and
- (v) the Restated Cash Management Agreement.

The proceeds on enforcement of the security constituted by the Issuer Deed of Charge will be applied in accordance with the order of application of payments specified in Condition 2(B) (see further "Terms and Conditions of the New Notes" below).

The Issuer Deed of Charge is governed by English law.

Finance Lessor Charge

The Canary Wharf Group has provided cash collateral with respect to each of the Finance Leases (as defined below) entered into in the latter half of 1997 in respect of various parts of the Mortgaged Properties. Each Finance Lessor has granted a charge to the Issuer to secure the obligations of the Borrower under the Intercompany Loan Agreement (such charges, together, the "**Finance Lessor Charge**") in respect of their respective leasehold interests in the Mortgaged Properties.

The Finance Lessor Charge excludes from its ambit all rents due in respect of the Finance Leases.

The ability of the Issuer (as chargee under the Finance Lessor Charge) to exercise the power of sale under any charge forming part of the Finance Lessor Charge and its ability to appoint a receiver under a Finance Lessor Charge is (subject to the proviso in (vi) below) only exercisable in the following circumstances:

- (i) any Finance Lessor taking any steps to forfeit any Finance Lease;
- (ii) any Finance Lessor taking any steps to recover rental income from under-tenants of any Finance Lessee under the Law of Distress Amendment Act 1908 (the "**1908 Act**");
- (iii) any Finance Lessor disposing of its interest unless the Finance Lessor Charge remains in place;
- (iv) any Finance Lessor creating a security over its lease otherwise than to the Issuer;
- (v) any Finance Lessor taking any steps to wind up any Finance Lessee;
- (vi) the occurrence of an insolvency event in respect of any Finance Lessor provided that this event of itself will only entitle the Issuer, as chargee, to appoint a receiver in respect of the relevant Mortgaged Property.

The commercial effect of the Finance Lessor Charge is to prevent the Finance Lessors accessing occupational rack rental income from the relevant Mortgaged Properties, other than the rents due in respect of the Finance Leases, with the power of sale in the hands of the Issuer acting as a deterrent to the taking of any of the actions referred to in (i) to (v) above.

The Finance Lessors have not granted, and will not grant any form of floating charge.

The Finance Lessor Charge is governed by English law.

Share Charge

On the Initial Closing Date CWG granted security by way of first fixed mortgage over its shares in the Issuer in favour of the Trustee (the "**Share Charge**"). The Share Charge becomes enforceable at the same time and in the same circumstances as the Issuer Deed of Charge.

The Share Charge is governed by English law.

The Borrower's Bank Accounts

Each Charging Subsidiary, where practicable, has directed tenants of the Mortgaged Properties to pay all rack rent payable in respect of the relevant premises within the Mortgaged Properties into an account (the "**Rental Receipts Account**") in the name of the Borrower with the Account Bank which is the subject of a fixed charge in favour of the Issuer pursuant to the Composite Debenture. Where the Charging Subsidiaries themselves receive rack rents from tenants, they are required to pay these sums into the Rental Receipts Account. Sums standing to the credit of the Rental Receipts Account on each Intercompany Payment Date are used by the Borrower in making, *inter alia*, the then Scheduled Payment due under the Intercompany Loan Agreement,

together with any repayment of any FLF Advance on such Intercompany Payment Date. Any surplus funds in the Rental Receipts Account not required to make such payments on the relevant Intercompany Payment Date are in circumstances where there is no default under any of the Finance Documents released to or to the order of the Borrower.

The Borrower, in addition to the Rental Receipts Account, opened the following bank accounts:

- (i) the Cash Collateral Account;
- (ii) the Interest Shortfall Account; and
- (iii) the Fitting Out Account.

The Interest Shortfall Account and the Fitting Out Account are now closed.

The Borrower opened a charged deposit account in its own name (the "**Cash Collateral Account**"), into which all cash collateral received by the Borrower from any Charging Subsidiary in the circumstances described under "Property Covenants" below is transferred, until such time as it is applied in making payments under the Intercompany Loan Agreement or otherwise returned to the relevant Charging Subsidiary under the Composite Debenture. In addition, the Borrower will on and from the Intercompany Payment Date falling in January 2002 create a ledger (the "**Principal Shortfall Ledger**") within the Cash Collateral Account and will record in such ledger the amount placed in such account for the purpose of collateralising any potential principal shortfall as further described in "Resources Available to the Borrower and the Issuer — Principal Shortfall Ledger" below. The Cash Collateral Account is a term deposit account and is subject to first priority fixed security created in favour of the Issuer pursuant to the Original Composite Debenture.

Bank Account Agreement

The Issuer, the Cash Manager, the Borrower and the Trustee entered into a bank account agreement (the "**Bank Account Agreement**") with Barclays Bank PLC (acting through its branch at 54 Lombard Street, London EC3V 9EX) (the "**Account Bank**") on the Initial Closing Date in connection with the maintenance of certain banking arrangements for the Borrower and the Issuer and the waiver by the Account Bank of all rights of set-off (other than in respect of bank charges) in relation thereto.

Pursuant to the Bank Account Agreement, the Account Bank opened two interest bearing deposit accounts in the name of the Issuer, namely the First Loss Fund Account and the Defeasance Account. It also opened the Issuer's Transaction Account, as described herein.

The proceeds of any advances of the Borrower Loan to the Issuer are deposited into the First Loss Fund Account of the Issuer. Amounts deposited in the First Loss Fund Account earn a minimum rate of interest related to LIBOR for sterling deposits having a maturity of three months or such other period as may be required.

The Issuer may not withdraw any moneys from the First Loss Fund Account, the Issuer's Transaction Account or the Defeasance Account, otherwise than in accordance with the provisions of the Bank Account Agreement, the Issuer Deed of Charge and/or, as applicable, the Restated Cash Management Agreement and, in the case of the First Loss Fund Account, to make FLF Advances under the Intercompany Loan Agreement, without the prior consent of the Trustee.

The Bank Account Agreement is governed by English law.

Defeasance of Class B Notes and Class C Notes

The Issuer has opened an account in its name (the "**Defeasance Account**") with the Account Bank. Payments of Scheduled Principal Amounts to be made in respect of the Class B Tranche and the Class C Tranche of the Intercompany Loan Agreement, will, to the extent that they are not otherwise required to be applied by the Issuer in paying Amortisation Amounts in respect of the Class B Notes and the Class C Notes, be placed into the Defeasance Account.

The Cash Manager will create two ledgers (the “**Class B Defeasance Ledger**” and the “**Class C Defeasance Ledger**” respectively) and will record in each such ledger the amount of any Scheduled Principal Amount in respect of the Class B Tranche, or as the case may be, Class C Tranche, not required in paying the Class B Notes Amortisation Amount or the Class C Notes Amortisation Amount received into the Defeasance Account accordingly (the amounts standing to the credit, from time to time, of the Class B Defeasance Ledger and the Class C Defeasance Ledger, being respectively, the “**Class B Defeasance Amount**” and the “**Class C Defeasance Amount**”). No withdrawal is permitted from the Defeasance Account without the prior written consent of the Trustee other than as permitted in the Issuer Deed of Charge or, as the case may be, the Restated Cash Management Agreement (see also “Resources Available to the Borrower and the Issuer” below). The Class B Defeasance Amount and the Class C Defeasance Amount will be applied, after retransfer thereof to the Issuer’s Transaction Account, on the Interest Payment Date falling in October 2027, in final redemption of the then Principal Amount Outstanding of the Class B Notes and the Class C Notes, respectively.

Property Covenants and Leasing and Re-leasing Criteria

Property Covenants

The Intercompany Loan Agreement contains obligations and covenants on each of the Charging Subsidiaries in respect of any new leases in respect of the Mortgaged Properties granted (other than any such new lease granted pursuant to an agreement for lease existing on the Initial Closing Date or any renewal of an Existing Lease (as defined below) pursuant to the provisions of the Landlord and Tenant Act 1954) after the Initial Closing Date (each a “**New Lease**”) or, as applicable, in respect of leases existing, or leases granted pursuant to an agreement for lease existing, on the Initial Closing Date (each an “**Existing Lease**” and, together with the New Leases, “**Leases**”) including covenants to the effect that, *inter alia*:

- (i) subject to the terms of the Leases, no structural alterations will be made or permitted to be made which reduce the value of the Mortgaged Properties or materially reduce the rental income receivable therefrom;
- (ii) Mortgaged Properties are, or, as applicable, shall be, managed (a) to a standard consistent with that of a prudent manager of commercial property, and (b) in accordance with the principles of good estate management. Any change in the identity of the manager of the relevant Mortgaged Property will be subject to the then current ratings by the Rating Agencies of the Notes not being adversely affected thereby;
- (iii) the portion of space in the Mortgaged Properties permitted to be let on leases for a term of 5 years or less or, if less than 5 years remain before the date of final maturity of the Notes, such lesser period, shall be no more than 15 per cent. of the total space in the Mortgaged Properties. This percentage shall be dispensed with if an independent third party surveyor who is a fellow of the RICS (of 10 years’ experience in the commercial property market in London) and is not a sole practitioner certifies that a lease of five years or less is standard for the commercial property market in which the Estate is perceived to be at the relevant time. Where a tenant option to determine a Lease prior to expiry of the first 5 years (or such lesser period determined as above) of the initial Lease term is included, the Lease is, or, as applicable, will be, treated as a Lease for a period of 5 years (or such lesser period, as applicable);
- (iv) proceeds of insurance received on the total loss of an entirely unlet building forming one of the Mortgaged Properties must be used to prepay the Intercompany Loan (and thus the Notes) provided that such proceeds exceed 7.5 per cent. of the then Principal Amount Outstanding of the Notes. Other proceeds received in respect of damage or total loss of any of the Mortgaged Properties are to be used in re-instatement of the relevant Mortgaged Property in accordance with the terms of the relevant Lease or Leases of that Mortgaged Property or otherwise in accordance with applicable law. No redemption premium pursuant to Condition 5(c) shall be payable in respect of Notes redeemed from the proceeds of total loss insurance payments. However, if all of the Mortgaged Properties are totally destroyed, this will constitute a default under the Intercompany Loan Agreement;

- (v) (subject, in each of the circumstances described in this paragraph (v), to paragraph (vi) below) no amendments may be made to any Leases which (taking into account any previous amendments made since the most recent valuation) would breach any of the mandatory lease provisions described below or which would have a Relevant Material Adverse Effect. However, tenants under the Leases will be permitted to move premises within the Mortgaged Properties if they request provided that such move is on no worse overall commercial terms than the Lease current at that time (although the level of rent may differ). In the absence of such a move, a voluntary cancellation of a Lease without a simultaneous re-letting of the relevant premises or the voluntary grant of any indulgence as to the payment of all or any part of the rack rent due from an occupational tenant will be subject to the requirement that "**cash collateral**" by way of Eligible Investments or other investments approved by the Trustee (in either case rated at least as high as the then most senior class of Notes then outstanding) the amortisation of which (taking account of the rate of interest actually earned on such Eligible Investments or other investments as aforesaid) will fully replace the loss of the rental income from the Lease or Leases being released (assuming that the relevant tenant would exercise any break option available on its part at the earliest opportunity available to it under the relevant Lease) or the Lease or Leases where any indulgence as to payment of rack rent has been granted is placed in the Cash Collateral Account by the relevant Charging Subsidiary. Upon a re-letting of the space so vacated to a bona fide tenant, or the termination of any rent concession the balance of any cash collateral will be returned to the relevant Charging Subsidiary upon a written request being made by that Charging Subsidiary to the Trustee;
- (vi) to the extent that the LTV (calculated in accordance with the LMCTV Test) is less than 60 per cent. after the making of the relevant amendment or accepting the surrender of the relevant Lease or Leases then no restrictions will apply to amendments or, as the case may be, no or, as applicable, a reduced amount of cash collateral will be required; and
- (vii) the total Net Internal Area within the Mortgage Properties which may be leased to members of the Canary Wharf Group as occupational tenants at any one time will be limited to 100,000 square feet.

Each of the above covenants is subject to any provisions contained in any Existing Lease as at the Initial Closing Date.

Mandatory Lease Provisions — New Leases

The Composite Debenture contains covenants regarding mandatory lease provisions to be included in New Leases of unlet space and New Leases of currently tenanted space (i.e. on renewal or re-letting). Each provision is subject to the qualification that any one or more of such provisions may be amended or removed in any particular instance if an independent third party surveyor who is a fellow of the RICS (of 10 years' experience in the commercial property market in London) and is not a sole practitioner certifies to the relevant Charging Subsidiary, the Borrower, the Issuer and the Trustee that the relevant provision is not reasonably obtainable in the sector of the commercial property market in which the Estate is perceived to be without a reduction in the open market rent for an equivalent property (or relevant part thereof) otherwise obtainable or the special circumstances of the proposed tenant make such provision(s) inappropriate or inapplicable. The mandatory lease provisions cover, *inter alia*, the following areas:—

- (i) upwards only rent reviews (that is, never below the rent set at previous rent review);
- (ii) full internal repairing covenants (part of buildings only) and internal and external repairing covenants (for whole buildings) on tenants (or full *pro rata* contributions to building service charge costs) subject to certain specified exclusions;
- (iii) obligation on each tenant to insure or bear the cost of insurance for the space occupied;
- (iv) obligations on each tenant to pay estate service charge and (for parts of a building) building service charge;
- (v) assignment — no assignment of part; assignments of whole only with landlord's consent (not to be unreasonably withheld);

- (vi) no ability on the part of the tenant to make structural alterations without the consent of the landlord, such consent not to be unreasonably withheld;
- (vii) user — premises the subject of a Lease to be used as office premises and ancillary uses only;
- (viii) other uses will be permitted with the landlord's prior written consent provided that they do not adversely affect the premises the subject of a Lease or any adjacent premises and the overall rental income of the Mortgaged Properties is not adversely affected thereby; and
- (ix) limitations on the maximum rent free period which may be granted.

Restrictions exist in the documents relating to the Finance Lease transactions on the ability of each Finance Lessor to deal with the property interest acquired by it.

Substitution and Releases of Mortgaged Properties

Substitution of Properties

Subject as set out under paragraph (ii) of "Releases of Properties" below, a Charging Subsidiary may at any time substitute alternative property for a Mortgaged Property or Mortgaged Properties. Any substitution of a Mortgaged Property is subject to the condition precedent that a solvency certificate can be given by the relevant Charging Subsidiary. If any substitution involves putting in a property which is not part of the remainder of the Estate, such substitution shall be subject to an additional condition precedent that confirmation is received from the Rating Agencies that the inclusion of such property will have no material adverse effect on the then current ratings of the Notes. Substitution may be effected either by the substitution of a new property or properties (subject as above) or the provision to the Issuer of Eligible Investments (or any combination thereof) to the value of the relevant Property (see also "Releases of Properties" below).

Releases of Properties

Mortgaged Properties may be released from the security created by the Composite Debenture in the following circumstances:

- (i)
 - (a) the result of the LMCTV Test not exceeding 60 per cent. without taking into account the value of the relevant Mortgaged Property or Mortgaged Properties to be released;
 - (b) the release will not, in the reasonable opinion of the Cash Manager, have a Relevant Material Adverse Effect in relation to the Mortgaged Properties not being released from the security created by the Composite Debenture; and
 - (c) the release will not lead to a downgrading of the then current ratings of any class of Notes by the Rating Agencies; or
- (ii) to the extent that the result of the LMCTV Test exceeds 60 per cent. without taking into account the value of the Mortgaged Property or Mortgaged Properties to be released, substitution is required, comprising either another property or Eligible Investments or any combination thereof, such substituted assets to be the subject of the security created by the Composite Debenture so as to ensure that the result of the LMCTV Test does not exceed 60 per cent. after taking into account the value of such substituted assets.

Finance Leases

Each of the Finance Lessors has the benefit of an agreement for the sale of a long leasehold interest in certain premises forming part of the Mortgaged Properties namely 25 The North Colonnade, floors 1, 2 and 8 of 7 Westferry Circus, floors 36-49 and floors 32-35 and 17 of One Canada Square, respectively.

Each of the Finance Lessors has entered into an agreement for finance lease (for a term of 125 years less 10 days) (each a "Finance Lease") with certain of the Charging Subsidiaries (listed in Part B of Appendix 2 (which are newly created special purpose companies) (the "Finance Lessees")) in respect of the relevant

premises. The obligations of each Finance Lessee are guaranteed on an unsecured and several basis by each of CWL and CWHL.

The agreements for sale referred to above have not been legally completed by registration at H.M. Land Registry, but the parties thereto are contractually bound as if such agreements had been so completed and such transfers had in fact been so made.

The terms of the Finance Leases require the relevant Finance Lessee to pay rent to the Finance Lessor over the first 35 years of its Finance Lease.

Amounts equal to part of the proceeds of the Original Intercompany Loan were applied on the Initial Closing Date by certain special purpose subsidiaries of CWHL (the **"Depositors"**) in paying into a deposit account (each a **"Charged Deposit Account"**) charged in favour of each Finance Lessor, an amount (each a **"Deposit"**) which it was anticipated would be sufficient (together with any interest earned thereon) to meet the relevant Finance Lessee's payment obligations to the relevant Finance Lessor under its Finance Lease. Each Depositor granted security in favour of the relevant Finance Lessor over the Deposit standing to the credit of its relevant Charged Deposit Account. Each Deposit in each Charged Deposit Account will, pursuant to the relevant Finance Lease, be required to be topped up if the principal amount of the relevant Deposit is ever less than the relevant Finance Lessor's capital invested, by reason of a change in certain of the financial assumptions (the **"Assumptions"**) underlying the relevant Finance Lease cashflow.

The Finance Lessors themselves agreed to charge in favour of the Issuer pursuant to the Finance Lessor Charge their long leasehold interests in the relevant parts of the Mortgaged Properties upon the making of the Deposits as described in "The Finance Lessor Charge" above. None of the Finance Lessors have any security interest in the amounts standing to the credit of the Rental Receipts Account of the Borrower.

Upon a default by the relevant Finance Lessee in making payment under its Finance Lease, the Finance Lessors will only have recourse as secured creditors to the Deposit then standing to the credit of the relevant Charged Deposit Account and claims as unsecured creditors against CWL and CWHL under their guarantees and, generally, against the Finance Lessees.

For a description of the risks attached to the unregistered interests of the Finance Lessors and the Finance Lessees in the Mortgaged Properties and risks attached to forfeiture pursuant to the Finance Leases and otherwise see "Risk Factors — Finance Leases" below.

Ability to effect structured financings and other transactions

Subject to obtaining the Trustee's consent and to complying with the above provisions relating to the substitution and/or release of Mortgaged Properties under the heading "Substitution and Releases of Mortgaged Properties" above, the Canary Wharf Group may at any time effect certain structured finance transactions involving the creation and/or the disposal of one or more interests in a Mortgaged Property which affect the existing interests of a Charging Subsidiary. The proceeds of such transactions may or may not be utilised in prepaying the Intercompany Loan. Further, the entirety of any premium paid by the person or persons acquiring the interest so created or transferred (the **"Acquiring Company"**) will not necessarily be released to the Canary Wharf Group in order to satisfy the substitution and/or release criteria. Moneys may be placed in charged accounts to provide security and to cover any additional costs and otherwise unsecured liabilities. The Trustee shall give its consent to any such transaction if the Rating Agencies confirm that the transaction in question will not adversely affect the then current ratings of each class of the Notes. In any case where such consent is given, the Trustee shall also provide any necessary consents (for example to H.M. Land Registry to enable registration of the property elements of the transaction) and allow the Issuer to give any releases of security/re-assignments necessary to effect the transaction in question. To the extent that any relevant property interests remain vested in a member of the Canary Wharf Group, new security will be granted to the Issuer by way of agreements supplemental to the Composite Debenture and/or Floating Charge Agreement. In order to effect such transactions, if necessary, the Canary Wharf Group shall be entitled to incorporate and capitalise new group companies with a view to their becoming Charging Subsidiaries under the Intercompany Loan, Composite Debenture and Floating Charge Agreement.

The transactions referred to in the previous paragraph are likely to fall within the following broad categories, which categories are, however, not intended to be an exhaustive list of all the transactions to which the Trustee may be required to consent.

1. ***Lease Financing***

This type of transaction would, typically, involve the grant or transfer of an interest in a building by a Charging Subsidiary or the entering into of an agreement to grant or transfer such an interest to an unconnected person at a premium (payment of part of which may be deferred). It should be noted that the premium may not represent the full open market value of the property as opposed to the value of the interest acquired. However, a reduction in premium results in correspondingly lower finance lease rentals and is therefore not necessarily economically detrimental to the Canary Wharf Group.

A finance lease would then be granted or agreed to be granted back to a member of the Canary Wharf Group pursuant to which rents would be payable for a fixed period. The finance lease rentals would reflect the premium paid for the acquisition of the relevant leasehold interest.

2. ***Sale to a Canary Wharf Group company***

In this case, a member of the Canary Wharf Group might, typically, transfer an interest in a Mortgaged Property to another company in the Canary Wharf Group which has accrued tax liability or may have future anticipated tax liability in consideration of payment of a premium. This acquisition may be funded from cash in the relevant Canary Wharf Group company and/or by an inter-company loan and/or by other appropriate means.

In each such case the Acquiring Company will, to the extent that it is the immediate landlord of the occupational tenants of the relevant Mortgaged Property, deal with its beneficial interest in or entitlement to receive rack rents in respect of Leases within the Mortgaged Properties so as to ensure that they are, at all times, paid direct into the Rental Receipts Account of the Borrower, charged in favour of the Issuer pursuant to the Composite Debenture.

Property Reorganisation

The Relevant Documents (as defined in the Restated Master Definitions Agreement) contain provisions enabling certain Charging Subsidiaries to carry out an intra-group restructuring in relation to the freehold and top overriding lease of One Canada Square after the Initial Closing Date, details of which are set out under the heading "Information regarding the Mortgaged Properties — Property Reorganisation" below. Provisions are contained in the Relevant Documents enabling and authorising the Trustee to give all necessary written consents and releases to effect such restructuring and to authorise the Issuer and the Borrower to permit its implementation.

Estate and Property Management and Conflicts of Interest

Estate and Property Management

There is no specific contract relating to estate and property management functions over and above those already in existence in relation to the Mortgaged Properties as at the Initial Closing Date. Security was granted by way of assignment over each Charging Subsidiary's rights under the management provisions contained in each occupational lease pursuant to the Composite Debenture.

The Issuer and the Trustee (the latter as assignee of the Issuer's rights under the Composite Debenture), following service of an Intercompany Loan Enforcement Notice, have the ability:

- (a) to replace a manager of Mortgaged Property (but not the Estate Manager);
- (b) to require each manager of a Mortgaged Property to comply with the terms of any agreement currently binding on it in respect of services to be provided to tenants which are not part of the functions undertaken by the Estate Manager; and

- (c) to enforce whatever rights the owners of the property interests the subject of such enforcement would have against the Estate Manager (consistent with the rights of other owners in the Estate).

The Borrower has covenanted to procure that each manager of a Mortgaged Property (or any replacement manager appointed other than by the Trustee) acts at all times as a prudent manager of commercial property and manages the relevant Mortgaged Property in accordance with the principles of good estate management.

Conflicts of Interest

A covenant in the following terms:

“Each Charging Subsidiary (other than those Charging Subsidiaries set out in Part 2 of Part A of Appendix 2) shall, and will procure that each manager of each of the Mortgaged Properties owned by it and each of its subsidiaries, affiliates or agents shall;

- (i) in their dealings in or with respect to the Mortgaged Properties, act in good faith and in the interests of the Noteholders and the Canary Wharf Group as a single class;
- (ii) shall not unfairly discriminate against the Mortgaged Properties in any marketing of the Estate to prospective occupational tenants; and
- (iii) always offer to prospective tenants the opportunity to consider leasing any unlet space within the Mortgaged Properties which appears to meet such prospective tenants’ requirements”,

is included in the Composite Debenture.

RISK FACTORS

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

Liability under the Notes

The Original Notes are and the New Notes will be obligations of the Issuer only and are not and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the New Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Trustee, the Paying Agents, the Lead Manager, the Cash Manager, the Liquidity Facility Provider, the Agent Bank, the Account Bank, the Cap Provider, the Borrower, the Charging Subsidiaries or any company in the same group of companies as, or affiliated to, the Borrower (other than the Issuer itself). Furthermore, no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

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

Limited Resources

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Borrower under the Intercompany Loan Agreement (see, in particular, "The Borrower's ability to meet its obligations in respect of the Intercompany Loan" below), the receipt of interest from the First Loss Fund Account, the Defeasance Account and the Issuer's Transaction Account (and, in certain limited circumstances, all amounts standing to the credit of the First Loss Fund Account and the Defeasance Account) and the receipt of funds from the Cap Provider under the Cap Agreement. In the event that timely payment of the Intercompany Loan is not made in full, the Issuer will also have available to it (subject to satisfaction of the conditions for drawing) drawings under the Liquidity Facility (see "Resources available to the Borrower and the Issuer — Liquidity Facility" below). Other than the foregoing, prior to the enforcement of the security created pursuant to the Composite Debenture, the Floating Charge Agreement and the Finance Lessor Charge, the Issuer will not have any other funds available to it to meet its obligations under the Notes and in respect of any payment ranking in priority to, or *pari passu* with, the Notes.

Subordination and credit enhancement

Save as provided in the Conditions and save for the limited exceptions set out under "Summary of principal documents relating to the Notes — The Composite Debenture", payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes, the Class C Notes and the Class D Notes. Similarly, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes and the Class D Notes and payments of principal and interest on the Class C Notes will be made in priority to payments of principal and interest on the Class D Notes.

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

Availability of Liquidity Facility

Pursuant to the terms of the Restated Liquidity Facility Agreement, the Liquidity Facility Provider provides a committed facility for drawings to be made in the circumstances (subject to the restrictions set out under "Resources Available to the Borrower and the Issuer — The Liquidity Facility" below) where other liquidity support (such as monies standing to the credit of the First Loss Fund Account) has been exhausted. It should be noted that the Liquidity Facility is not available to meet payments due in respect of amounts of principal on the Class D Notes, any shortfall in the Issuer's revenue arising as a result of the Cap Provider's failure to pay all or any sums due to the Issuer under the Cap Agreement or the non-existence at any time of a cap agreement or any replenishment of the First Loss Fund Account and is only available up to certain limits according to (i) the liabilities of the Issuer to be met by the particular drawing under the Liquidity Facility and (ii) whether an Intercompany Loan Enforcement Notice has been served.

Drawings under the Restated Liquidity Facility Agreement are restricted so that outstanding drawings at any time may not exceed the Borrowing Base Amount at that time. The "**Borrowing Base Amount**" is calculated as being the discounted value of the aggregate rack rental income due under Leases, in respect of which no default relating to such rack rents has occurred and is outstanding, comprised in the Mortgaged Properties from the date of calculation to the date of the repayment, discounted at a rate of 2 per cent. over the rate of interest on a gilt edged security having a maturity of approximately 15 years after the date of calculation.

Description of the Notes

The Trust Deed and the Issuer Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders as a single class as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to (i) (for so long as there are any Class A Notes outstanding) the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class A Noteholders and (b) the other Noteholders and/or any other Secured Parties under the Issuer Deed of Charge or (ii) (if there are no Class A Notes outstanding) the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class B Noteholders and (b) the other Noteholders and/or any other Secured Parties under the Issuer Deed of Charge or (iii) (if there are no Class A Notes or Class B Notes outstanding) the interests of the Class C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class C Noteholders and (b) the Class D Noteholders and/or any other Secured Parties under the Issuer Deed of Charge or (iv) (if there are no Class A Notes, Class B Notes or Class C Notes outstanding) the interests of the Class D Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class D Noteholders and (b) any other Secured Parties under the Issuer Deed of Charge.

Limited Recourse

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

Secondary Market; Limited Liquidity

There can be no assurance that a secondary market in the Notes will continue 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. Application has been made to list the New Notes on the Official List and trade the New Notes on the London Stock Exchange's market for listed Securities. 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 such Notes.

Ratings of Notes

The ratings assigned to the Notes by the Rating Agencies are based on the Mortgaged Properties and other relevant structural features of the transaction, including, *inter alia*, the short-term unsecured and unsubordinated debt rating of the Liquidity Facility Provider, and reflects only the views of the Rating Agencies. The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest on the Notes (other than Subordinated Class D Coupon Amounts, which carry no credit rating) on each Interest Payment Date and the full and timely payment of principal (other than the amount of any redemption premium which carries no credit rating) on a date that is not later than the Interest Payment Date falling in October 2027 or, in the case of the Class D Notes, October, 2020. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgment, circumstances so warrant. Rating agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable rating assigned to the Notes by the Rating Agencies, such shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires any references to "ratings" or "rating" in this Offering Circular are to ratings assigned by the Rating Agencies only. Future events also, including events affecting the Liquidity Facility Provider and/or circumstances relating to the Mortgaged Properties and/or the Estate and/or the property market generally, could have an adverse impact on the rating of the Notes.

The Borrower's ability to meet its obligations in respect of the Intercompany Loan

The Borrower's ability to meet its obligations under the Intercompany Loan Agreement is dependent on the performance of the Mortgaged Properties and, in particular, the payment by the tenants of rents pursuant to their Leases and the ability to find tenants for vacant premises in the Mortgaged Properties and any premises that may, in future, become vacant over the life of the Notes. The main determinants of Mortgaged Properties' performance are their ability to generate rental income from tenants of the Mortgaged Properties.

The obligation of the Borrower to make payments under the Intercompany Loan Agreement is a full recourse obligation although the assets of the Borrower are limited. The security provided by the Charging Subsidiaries under the Composite Debenture and Floating Charge Agreement and by the Finance Lessors under the Finance Lessor Charge for the obligations of the Borrower under the Intercompany Loan Agreement is third party security only and is limited recourse to the assets of the Charging Subsidiaries charged pursuant to the Composite Debenture and the Floating Charge Agreement and the assets of the Finance Lessors charged pursuant to the Finance Lessor Charge. Neither the Issuer, the Trustee nor any Noteholder has any rights against the Charging Subsidiaries or the Finance Lessors or their assets other than the enforcement of the security created by them over the Charged Property (including the Mortgaged Properties) pursuant to the Composite Debenture, the Floating Charge Agreement or, as the case may be, the Finance Lessor Charge.

Borrower Default

The Intercompany Loan is not insured or guaranteed by the Issuer, the Trustee, the Paying Agents, the Lead Manager, the Cash Manager, the Liquidity Facility Provider, the Agent Bank, the Account Bank, the Cap Provider or by any other person or entity save that the Charging Subsidiaries and the Finance Lessors will charge the Mortgaged Properties in their respective ownership and all rack rental payments due in respect of them as third party security for repayment of the Borrower's obligations under the Intercompany Loan Agreement. The Charging Subsidiaries and the Finance Lessors do not, however, undertake any primary obligation to repay the Intercompany Loan. Amounts received in respect of the Mortgaged Properties following a default on the Intercompany Loan, including proceeds of any sale or other disposal of the Charged Property, could be insufficient to pay the Intercompany Loan in full and the amount of any other Scheduled Payments, in which case Noteholders may ultimately suffer a loss.

The liquidation value of the Mortgaged Properties may be adversely affected by risks generally incident to interests in real property, including changes in political and economic conditions or in specific industry segments; declines in property values; variations in supply of and demand for commercial office space (or commercial office

space of a particular type); declines in rental or occupancy rates; increases in interest rates; changes in rental terms including the tenants' responsibility for operating expenses; fluctuation in the availability of property financing for properties such as the Mortgaged Properties; changes in governmental rules, regulations and fiscal policies; terrorism; acts of God; and other factors which are beyond the control of the Borrower, the Issuer, the Trustee, the Charging Subsidiaries, the Lead Manager, the Cap Provider, the Liquidity Facility Provider, the Paying Agents, the Agent Bank, the Cash Manager, the Account Bank or any other member of the Canary Wharf Group.

Default under Occupational Leases

The obligation to make payments under a Lease in respect of the Mortgaged Properties is or, as applicable will be, an unconditional obligation on the part of the relevant tenant. Each of the occupational leases is or, as applicable will be, a "fully repairing and insuring" lease (an "**FRI Lease**"); that is substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the tenant, including the costs of repairing, maintaining and insuring the relevant premises subject to certain limited exceptions in certain cases. See also "Certificate of Title" below.

In each Lease, the relevant Charging Subsidiary has covenanted, or as applicable will covenant, with the relevant tenant, *inter alia*, to allow such tenant quiet enjoyment of that part of the Mortgaged Property which is leased to it and to perform certain specified obligations and/or provide certain specified services in relation to the relevant Mortgaged Property. A breach by the relevant Charging Subsidiary of any of these covenants could give rise to a dispute with the tenant, and the tenant might seek to withhold rental payments (notwithstanding any contractual prohibition contained in the relevant Lease against the tenant exercising any such set-off). It is expected that any receiver of the Mortgaged Properties would perform these obligations and the Borrower has covenanted to procure that they are otherwise performed.

CWL, as an inducement to secure lettings of certain of the Mortgaged Properties, accepted certain financial and other liabilities in respect of existing leases from incoming tenants (the "**Takeover Obligations**"). Certain tenants have the right to set-off against the annual rent payable thereunder any sums not paid by CWL in respect of the Takeover Obligations (see further "Certificate of Title" below).

Terms of FRI Leases

Whilst each Charging Subsidiary has covenanted that in relation to the leasing or re-leasing of premises within the Mortgaged Properties, certain mandatory lease terms will be contained within any such lease (as to which see "Summary of principal documents relating to the Notes — Property Covenants and Leasing and Re-leasing criteria" above), any of such covenants may be dispensed with or amended if an independent third party surveyor who is a fellow of RICS (of 10 years experience in the commercial property market in London) and is not a sole practitioner certifies to the relevant Charging Subsidiary, the Borrower, the Issuer and the Trustee that the relevant provision is not reasonably obtainable in the sector of the commercial property market in which the Estate and/or the Mortgaged Properties is perceived to be without a reduction in the open market rent otherwise obtainable for an equivalent property (or relevant part thereof) or the special circumstances of the proposed tenant make such provision(s) inappropriate or inapplicable. There can therefore be no assurance that market practice in respect of FRI Leases and/or the demands of prospective tenants over the life of the Notes will not subject the relevant Charging Subsidiary (as landlord) to more onerous covenants on its part or that tenant obligations under such FRI Leases will not significantly diminish which, in any such event, may have an adverse effect on the value of, or income from, the Mortgaged Properties.

Late Payment of Rent

There is a risk that rental payments due under the Leases on or before the relevant Intercompany Payment Date will not be paid on the due date therefor or not paid at all. In the event of a late payment of rent which is not received on or prior to the immediately following Intercompany Payment Date (each of which falls 16 days after the usual rental payment date) and any resultant shortfall is not otherwise compensated for from other resources of the Borrower within the grace period for payment under the Intercompany Loan Agreement and the Borrower

fails to pay the amount due on the next Intercompany Payment Date, an event of default will occur in relation to the Intercompany Loan. Such an event of default will not of itself cause an Event of Default under the Notes since the Issuer will have access to, *inter alia*, the Liquidity Facility, the First Loss Fund Account and, to a limited extent, the Defeasance Account to cover (to the extent funds are available) any shortfall under the Intercompany Loan Agreement. No assurance can, however, be given that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that an Event of Default under the Notes will not in fact occur as a result of the late payment of rent.

Delays in the Payments System

Payments under the Intercompany Loan will be made to the Issuer on each Intercompany Payment Date but not actually applied by it in satisfaction of sums owing to it under the Intercompany Loan Agreement until the immediately succeeding Interest Payment Date. However, situations may arise where, although the Borrower holds sufficient funds to meet in full its obligations to make payments under the Intercompany Loan Agreement (and thereby place the Issuer in funds to make payment to Noteholders under the Notes) delays in the receipt or execution of payment instructions by the Cap Provider and/or the Account Bank and/or the Clearing House Automated Payments System ("CHAPS") and/or the Trans-European Automated Real-Time Gross Settlement Express Transfer System (the "TARGET System") and/or the Paying Agent(s) and/or Euroclear and/or Clearstream, Luxembourg may result in the Noteholders (or some of them) not receiving payment under the Notes until after the due date for payment thereof. The Liquidity Facility is not available to meet payments of principal in respect of the Class D Notes.

Enforcement of Remedies

In the event of a default by the Borrower under the Intercompany Loan Agreement, recourse is available only to the Charged Property. Enforcement under the Composite Debenture and Floating Charge Agreement may not result in immediate realisation of the Charged Property, and a significant delay could be experienced in recovery by the Trustee of amounts owed on the Intercompany Loan and the amount of any other Scheduled Payments. There can be no assurance that the Trustee would recover all amounts secured upon enforcement of the Charged Property, and accordingly sufficient funds may not be realised or available to make all required payments to the Noteholders. For other restrictions relating to the Trustee's powers on enforcement see further Condition 2(B) of the Notes.

Taxation of the Canary Wharf Group

Under current tax law and practice (which may change in the future (see "Change of Law" below)) the rental income of the Canary Wharf Group is taxable income, whilst the interest costs only of companies within the Canary Wharf Group associated with the issue of the Notes, the borrowing by the Borrower under the Intercompany Loan Agreement and the existing borrowings of the Charging Subsidiaries should in general be deductible under current law and practice against their respective taxable income. Repayment of the principal amount borrowed by the Canary Wharf Group from, ultimately, the Noteholders cannot, however, be set against the income received or amortised over the life of the Notes thus leaving the Canary Wharf Group with a potential mismatch for tax purposes to the extent that the income exceeds the interest costs.

Additionally, the UK corporation tax system affords some flexibility to companies which are members of a group so that it should, for example, in general be possible for appropriate companies within the Canary Wharf Group to surrender any tax losses arising out of their interest costs in an accounting period when any other companies within the group were paying tax on their rental income. However, unless the Canary Wharf Group has available to it sufficient losses or other amounts which are allowable for tax purposes which can be surrendered by way of group relief so as to avoid or relieve such tax mismatch then rental income received by the Canary Wharf Group which is intended to be used to repay amounts of principal may be reduced by corporation tax liabilities, resulting in a possibility of the Issuer having insufficient resources to meet its obligations under the Notes. The directors of the Borrower and the Charging Subsidiaries believe that, on the basis of activities planned for the Canary Wharf Group, there will be sufficient rental receipts on an after tax basis to enable principal and interest on the Intercompany Loan to be paid when due.

United Kingdom tax law and practice imposes liability for certain overdue taxes of companies on other companies which are or have been members of the same group or are or have been under common control with the company having the overdue tax liability. This arises in particular in connection with acquisitions and disposals of capital assets or the share capital of group companies themselves.

Receivership

On the occurrence of an event of default under the Intercompany Loan Agreement, there are a number of options available to the Trustee. One of the remedies that may be available to the Trustee is the appointment of a receiver over specific property or over all, or part, of the Mortgaged Property.

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

Payments to the Trustee (which is entitled to receive remuneration, reimbursement for its expenses and an indemnity for its potential liabilities) will rank ahead of the interest and principal due under the Intercompany Loan Agreement (and, in turn, payments by the Issuer under the Notes). Accordingly, should the Trustee become liable for acts of the receiver, the amount of cash that would otherwise be available for payment to the Noteholders may be reduced.

Mortgagee in possession liability

The Issuer or the Trustee (but only if the Trustee has taken enforcement action against the Issuer) may be deemed to be a mortgagee in possession if there is physical entry into possession of any Mortgaged Property or an act of control or influence which may amount to possession (such as receiving rents directly from the relevant tenant or sub-tenant). A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Trustee has the absolute discretion, at any time, to serve a written notice on the Issuer requiring the Issuer from the date such notice is served to obtain the Trustee's prior written consent before taking any action which would be likely to lead to the Issuer or the Trustee becoming a mortgagee in possession in respect of a Mortgaged Property.

Certificate of title

The Mortgaged Properties, comprising both freehold and leasehold property, will form part of the security given for the Initial Advance and the Further Advance pursuant to the Composite Debenture. A composite Certificate of Title will be given in respect of the Mortgaged Properties owned by the Canary Wharf Group at the date of this document.

The Certificate of Title produced on the Further Closing Date by Clifford Chance LLP (the solicitors to the Canary Wharf Group responsible for their production and preparation) in respect of the Mortgaged Properties will disclose the matters listed below:

- (a) Various of the tenants are to be indemnified by the landlord against certain defects in relation to the construction of their premises.
- (b) A tenant in respect of a floor in One Canada Square will only pay 92 per cent. of open market rent on review or the existing rent if greater. It also only pays 92 per cent. of service charges and a similar amount in respect of rates. It has a right in certain circumstances to set off its obligation to pay rent against liabilities undertaken in a takeover agreement relating to a lease of other premises previously occupied by it. That lease continues until September 2013 and has a current rent of £190,000 per annum with upwards only rent reviews in September 2003 and every fifth anniversary thereafter and a current service charge of approximately £45,000 per annum.

- (c) Another tenant in respect of four floors of One Canada Square has, in respect of those floors, a right to set off its obligation to pay rent against liabilities in relation to a takeover property previously occupied by it (see also "Default under Occupational Leases" above). The lease of the takeover property extends until June 2029, although the tenant can terminate in July 2001 (and such notice of termination has now been given) with a current rent of £679,250 per annum plus additional rent for a wine bar and retail units (originally £53,500 per annum).
- (d) The tenant of one floor at One Canada Square has the benefit of a subsidy agreement requiring Canary Wharf Limited to pay an amount by which the rent of that floor exceeds £23.50 per square foot during the 5 years commencing on 27th September, 1996 (after deducting the amount attributable to the car parking rights). If that sum is not paid then the tenant can set it off against the rent payable under the Lease.

Uninsured Loss

The Intercompany Loan Agreement requires the Charging Subsidiaries to carry insurance with respect to the Mortgaged Properties in accordance with the terms set out in the Intercompany Loan Agreement. The requirements set out in the Intercompany Loan Agreement are consistent with the policy of the Canary Wharf Group to act as a prudent and responsible owner of property assets. There are, however, certain types of losses (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures) which are not covered by the required insurance policies. Losses resulting from wars, nuclear radiation and radioactive contamination are nevertheless the subject of a statutory indemnity from the UK Government and, accordingly, are excluded from all UK insurance policies. Losses resulting from terrorism, heave and subsidence are currently covered by the insurance policies. There can be no guarantee, however, that losses from terrorism, heave and subsidence or certain other types of losses will remain insurable or economically insurable and therefore covered by the required insurance policies throughout the term of the Notes. The Borrower's ability to repay the Intercompany Loan might be affected adversely if such an uninsured or insurable loss were to occur.

Buildings survey and environmental reports and valuations

Structural and environmental survey reports (the "**Reports**" and "**Report**" shall mean any one of them) were obtained, *inter alia*, at the time of the acquisition of CWHL from a consortium of banks in 1995 and as part of the initial construction process of the Mortgaged Properties. The Report given by the environmental surveyors (Acer) in respect of the Canary Wharf site in 1995 (the "**Environmental Report**") is addressed to and may only be relied upon by International Property Corporation (BVI) Ltd ("**BVI**"). CWG as successor to BVI may take the benefit of the Environmental Report. Neither BVI nor CWG is a Charging Subsidiary. Each Charging Subsidiary has, however, represented and warranted in the Intercompany Loan, as to the accuracy of information supplied by it to such surveyors and valuers at the time such Reports were compiled. Neither the Issuer, the Borrower nor the Trustee have the benefit of such Reports (since they are not addressed to, nor prepared on the instructions of, any of the Issuer, the Borrower or the Trustee). Accordingly, no cause of action will lie against any of the professionals who prepared such Reports by any of the Issuer, the Borrower or the Trustee and, indeed, it may be that, due to the passage of time, claims against such professionals will have become statute barred.

The Valuation Certificates set out below are, however, addressed to, *inter alios*, each of the Issuer and the Trustee and may be relied on by them in all respects as more fully set out in "Valuation Certificates" below. In addition, each of FPD Savills Commercial Limited and CB Hillier Parker Limited were given access to the Reports in preparing their Valuation Certificates and such Valuation Certificates take into account the matters (if any) disclosed in such Reports.

Reliance on Valuation

The aggregate open market valuation of the Mortgaged Properties as of 31st January, 2001 as shown in the "**Valuation Certificates**" is £1,152,500,000. However, there can be no assurance that the open market value of the Mortgaged Properties will continue to be equal to or exceed such valuation. To the extent that the open market value of the Mortgaged Properties fluctuates, there is no assurance that the market value of the Mortgaged

Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Intercompany Loan Agreement. If any Mortgaged Property is sold following an Intercompany Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full all or any amounts due under the Intercompany Loan Agreement.

Environmental risks

Various laws may require a current or previous owner, occupier or operator of property to investigate and/or clean-up hazardous or toxic substances or releases at or from such property. These owners, occupiers or operators may also be obliged to pay for property damage and for investigation and clean-up costs incurred by others in connection with such substances. Such laws typically impose clean-up responsibility and liability having regard to whether the owner, occupier or operator knew of or caused the presence of the substances. Even if more than one person may have been responsible for the contamination, each person coming within the ambit of the relevant environmental laws may be held responsible for all of the clean-up costs incurred. If an environmental liability arises in relation to the Mortgaged Properties and it is not remedied, or is not capable of being remedied, this may result in the Mortgaged Properties either being sold at a reduced sale price or becoming unsellable. In addition, third parties may bring legal proceedings against a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site. These damages and costs may be substantial. In addition, the presence of substances on a property could result in personal injury or similar claims by private plaintiffs.

If any environmental liability were to exist or arise in respect of any Mortgaged Property, neither the Issuer nor the Trustee should incur any such liability prior to enforcement of the Composite Debenture, unless it could be established that the Issuer or the Trustee had entered into possession of the relevant Mortgaged Property(ies) or had exercised a significant degree of control or of management of either the relevant Mortgaged Property(ies) or the relevant environmental problem(s). After enforcement, the Issuer or the Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Issuer or the Trustee, could become responsible for environmental liabilities in respect of a Mortgaged Property. If the Issuer or the Trustee unduly directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Issuer and/or the Trustee. Even if either of them could incur such a liability solely by virtue of being the owner and/or lessor of such Mortgaged Property(ies) they may be able to obtain an indemnity from the relevant tenant in possession.

Each of the Borrower and the Charging Subsidiaries has warranted in the Intercompany Loan Agreement in respect of each of the Mortgaged Properties as to environmental matters as summarised in "Summary of principal documents relating to the Notes — The Intercompany Loan — Warranties" above. It would be an event of default under the Intercompany Loan Agreement if there were a breach of any of the environmental representations and warranties contained in the Intercompany Loan Agreement which has a Relevant Material Adverse Effect.

The Finance Leases

As a result of the funding of a Deposit with respect to each Finance Lease, each Finance Lessor has the benefit of a guarantee, secured by way of cash collateral, by way of security for payment of all Finance Lease obligations due under the relevant Finance Lease for the full term thereof. None of the Finance Lessors are members of the Canary Wharf Group. Whilst the Deposits are intended to secure by way of cash collateral the Finance Lessees' Finance Lease payment obligations, there can be no assurance that a change of law or other event will not occur so as to result in the Finance Leases not being secured by way of cash collateral, in which case a Finance Lessor might attempt to claim rights over rack rents from occupational tenants being paid into the Rental Receipts Account (any such attempt being, a "relevant action").

The structure of the Finance Leases and ancillary documentation, including the Finance Lessor Charge, is designed to deter relevant action being taken by, *inter alia*, permitting the enforcement of the relevant charge or charges under the Finance Lessor Charge by the Issuer (in relation to which see further "Principal documents relating to the Notes — The Finance Lessor Charge" above) if a Finance Lessor attempts to do so, but there can be no assurance that, notwithstanding such structure, a Finance Lessor would not attempt to do so.

FTLP Lease

As referred to in "Summary of the principal documents relating to the Notes — the Composite Debenture" above, consent was not received permitting those of the Charging Subsidiaries listed in Part 2 of Part A of Appendix 2 hereto to charge their interest in the FTLTP Lease. As a result, the Issuer (and the Trustee as sub-chargee) have no security over the FTLTP Lease or over the rights of the Charging Subsidiaries listed in Part 2 of Part A of Appendix 2 hereto under the FTLTP Lease.

The Trustee does not, therefore, have any right to sell the property subject to the FTLTP Lease. However, legal title to the FTLTP Lease is vested in First Tower T1 Limited and First Tower T2 Limited (the "FTLP Trustees"), as trustees of land, both of which are within the Canary Wharf Group. The FTLTP Third Party, whose consent would be required for the charging of the FTLTP Lease, cannot require a sale of the property the subject of the FTLTP Lease but only exercises negative control over the FTLTP Trustees.

Any purchaser of the FTLTP Lease would take subject to existing leases derived from the FTLTP Lease over which security has been granted by way of fixed charge pursuant to the Composite Debenture. In their Valuation Certificate in respect of One Canada Square, FPD Savills Commercial Limited have confirmed that if the interest the subject of the FTLTP Lease were excluded from a sale of One Canada Square there would be no material impact on the value of One Canada Square as a whole (see "Valuation Certificates" below).

Other Risks Relating to the Mortgaged Properties

General

Real property investments are subject to varying degrees of risk. Rental revenues and property values are affected by changes in the general economic climate and local conditions such as an oversupply of space, a reduction in demand for commercial real estate in an area, competition from other available space or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning or tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. London commercial rentals and values are sensitive to such factors which can sometimes result in rapid, substantial increases and decreases in rental and valuation levels. The substitution provisions, LMCTV Test and LTV covenant in the Intercompany Loan Agreement and Composite Debenture are designed to mitigate the risk of market value declines impacting upon the Borrower's ability to meet its obligations under the Intercompany Loan Agreement but there can be no assurance that any of these provisions will, in fact, enable the Borrower to meet its obligations under the Intercompany Loan Agreement at all times. See also "Dependence on Tenants" and "Competition" below.

Dependence on Tenants

The Borrower's ability to repay the Intercompany Loan will depend on the ability to continue to let office space in the Mortgaged Properties on economically favourable terms. As substantially all of the income from the Mortgaged Properties is derived from rentals, the Borrower's ability to make payments on the Intercompany Loan Agreement could be adversely affected if occupancy levels were to fall and/or a significant number of tenants were unable to meet their obligations to the relevant Charging Subsidiaries. During the full life of the Intercompany Loan Agreement all of the existing leases will become subject to renewals or the relevant space will or may need to be re-let and there can be no assurance that such space will be re-let or, if re-let, that the New Leases for such space will be on terms as favourable to the relevant Charging Subsidiaries as those currently, or then, existing or that the tenants under any New Leases will be as creditworthy as any tenants under Existing Leases.

The ability to attract tenants paying rent levels sufficient to allow the Borrower to make payments due under the Intercompany Loan Agreement will be dependent, among other things, on the performance generally of the London commercial property market. Both tenant demand and rental levels generally can be influenced by a number of factors, including availability of suitable space, demand for space and the performance of the London economy generally. Over time rent levels in a capital city such as London can fluctuate, and historically have at times fluctuated, widely.

Competition

The Mortgaged Properties on the Estate compete with other office buildings in the Greater London area, particularly in the City of London, the West End and the parts of the Estate which do not form part of the Mortgaged Properties. The principal factors affecting a Mortgaged Property's ability to attract and retain tenants are, *inter alia*, the quality of the relevant building, the amenities and facilities offered, the convenience and location of the Mortgaged Property, the amount of space available to be let, transport infrastructure (including availability and cost of parking) and the age of the building in comparison to competing properties. See also "Dependence on Tenants" above.

The Estate is located outside of the West End and the City of London and necessarily competes with those areas in seeking to attract tenants to its office properties.

Including buildings currently under construction on the Estate, the Canary Wharf Group anticipates constructing between approximately 8.0 million square feet and 12.0 million square feet of space in the next 4 to 5 year period, subject to all appropriate planning and other necessary consents, approximately 4.8 million square feet of which is already committed. Whilst the group will constantly monitor the supply and demand for such space, the potential availability of that amount of space could affect, depending on the strength of tenant demand and other supply, rental levels and property values in London generally and the Estate itself.

Property Management

The net cash flow realised from the Mortgaged Properties may be affected by management decisions. Each Mortgaged Property (unless it is in single occupation) is and is intended to continue to be managed as to general upkeep and day to day operations by the Estate Manager on behalf of the Charging Subsidiary which owns the relevant Mortgaged Property. Properties in single occupation are usually managed by the tenant of such Mortgaged Property or its appointee.

There will be no specific contract relating to estate and property management functions over and above those already in existence in relation to the Mortgaged Properties. Security has been granted by way of assignment over the relevant Charging Subsidiary's rights under the management provisions contained in each Existing Lease.

Each of the Issuer and the Trustee (the latter as assignee of the Issuer's rights under the Composite Debenture) will have the ability, upon enforcement of the Composite Debenture, to require each manager of a Mortgaged Property to comply with the terms of any agreement binding on it in respect of services to be provided to tenants which are not part of the functions undertaken by the Estate Manager.

The Issuer and the Trustee (the latter as security assignee of the Issuer's rights under the Composite Debenture) have the ability to replace a manager of a Mortgaged Property (but not of the Estate) following service of an Intercompany Loan Enforcement Notice. The Borrower has covenanted to procure that each manager of a Mortgaged Property (or any replacement manager appointed other than by the Trustee) acts at all times as a prudent manager of commercial property and manages the relevant Mortgaged Property in accordance with the principles of good estate management. Following enforcement of the security created by the Composite Debenture, the Trustee (or any receiver) will be entitled to enforce whatever rights the owners of the property interests the subject of such enforcement would have against the Estate Manager and/or the managers of the Mortgaged Properties (consistent with the rights of other owners in the Estate).

While each of CWL and the Estate Manager is experienced in managing commercial property, there can be no assurance that either of them will continue to act, although any successor manager of a Mortgaged Property is required to be experienced in managing commercial premises. The appointment of any successor manager in respect of any of the Mortgaged Properties is subject to written confirmation from the Rating Agencies that such appointment will not result in a reduction or withdrawal of the then current ratings of the Notes.

Unlet Space

Although substantially all the space in the Mortgaged Properties is now leased, vacancies will occur during the currency of the Notes. The relevant Charging Subsidiary must fund the service charge costs of such vacant

space pending it becoming rent producing. As a result of this and other factors such as the existence of rent free periods or like initial rental inducements, the rental income arising in relation to the Mortgaged Properties may not, of itself, always be sufficient to service the Borrower's payment obligations under the Intercompany Loan Agreement.

Transport Infrastructure

The geographic location of the Estate on the Isle of Dogs in East London is such that it relies significantly upon the existence of good and reliable transport infrastructure and communications in order to attract and keep tenants in, *inter alia*, the Mortgaged Properties.

The extension of the Jubilee Line of the London Underground system to, *inter alia*, the Estate from Central London was opened in late 1999 and the extension of the Docklands Light Railway to Lewisham in South London was opened at about the same time. Each of the Jubilee Line and the Docklands Light Railway are experiencing some operational problems. These are expected to be overcome, but any long term problems, were they to arise, might impact adversely the ability of the Canary Wharf Group to re-lease space within the Mortgaged Properties and/or the rents obtainable on review or re-letting.

Delegation

Except to the limited extent described herein, neither the Trustee nor any Noteholder has any right to participate in the management or affairs of the Issuer, the Borrower or any Charging Subsidiary. In particular, such parties cannot supervise the functions relating to the management or operation of the Mortgaged Properties and the leasing and re-leasing of the space within the Mortgaged Properties or otherwise. The Issuer and the Borrower each have no executive management resources of their own and, as such, the Issuer and the Borrower will each rely upon, *inter alia*, the Cash Manager, each manager of a Mortgaged Property, the Estate Manager and other service providers for all asset servicing, executive and administrative functions. Failure by any such party to perform its obligations could have a material adverse effect upon the Issuer's ability to repay the Notes. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner and engaged on terms acceptable to the Trustee which in either case would not cause a downgrading in the then current ratings of the Notes by the Rating Agencies.

Conflicts of Interest

The Charging Subsidiaries and, in particular, CWL, have interests in other parts of the Estate and adjacent property including completed buildings which are not part of the Mortgaged Properties and new construction projects. Inevitably, conflicts of interest may arise between the obligations owed pursuant to the Finance Documents and the other interests of the relevant Charging Subsidiary or of the Canary Wharf Group in relation to other properties that it has an interest in.

A covenant in the following terms:

"each Charging Subsidiary (other than those of the FTLP Parties set out in Part A of Appendix 2) shall, and will procure that each manager of each of the Mortgaged Properties owned by it and each of its subsidiaries, affiliates or agents shall;

- (i) in their dealings in or with respect to the Mortgaged Properties act in good faith and in the interests of the Noteholders and the Canary Wharf Group as a single class;
- (ii) shall not unfairly discriminate against the Mortgaged Properties in any marketing of the Estate to prospective occupational tenants and;
- (iii) always offer to prospective tenants the opportunity to consider leasing any unlet space within the Mortgaged Properties which appears to meet such prospective tenants' requirements;"

is included in the Composite Debenture in order to mitigate this risk.

Privity of Contract

Pursuant to the Landlord and Tenant (Covenants) Act 1995 (the “Covenants Act”), in respect of property leases granted after 1st January, 1996 (other than leases granted after such date pursuant to agreements for lease entered into before such date), where an original tenant under a lease assigns such lease (having obtained all necessary consents (including that of the landlord if such is specified in the relevant lease)), that tenant’s liability to the landlord ceases. The Covenants Act provides that arrangements can be entered into whereby on assignment of the lease, the original tenant can be required to enter into an “authorised guarantee” of the assignee’s obligations to the landlord. Such authorised guarantee only covers the original assignee of the tenant but not any subsequent assignees of the original assignee.

The majority of the existing leases in respect of the Mortgaged Properties as at the Initial Closing Date were entered into before 1st January, 1996 or pursuant to agreements for lease in existence before 1st January, 1996. Thus, because the Covenants Act has no retrospective effect, the original tenant will remain liable under these leases notwithstanding any subsequent assignments, subject to any express releases of the tenant’s covenant on assignment (as to which see “Certificate of Title” above).

In respect of Leases made after the Initial Closing Date, it will normally be a condition precedent to the grant of such a Lease that a provision is contained within such a Lease that an authorised guarantee is obtained from the original tenant of any assignee’s obligations as part of the consent to assignment provisions.

Notwithstanding, there can be no assurance that any assignee of a lease of premises within a Mortgaged Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who will not be covered by the original tenant’s authorised guarantee), will be of a similar credit quality. However, there is currently a broad policy, as regards the credit quality of tenants and assignees, which the Charging Subsidiaries currently seek to implement in letting premises within the Estate. No assurance, warranty or covenant that any such policy will continue is or will be given by any Charging Subsidiary.

Statutory Rights of Tenants

In certain limited circumstances, the Tenants may have legal rights to require a Charging Subsidiary to grant them leases, for example pursuant to the Landlord and Tenant Act 1954 or the Covenants Act. Should such a right arise, a Charging Subsidiary may not have its normal freedom to negotiate the terms of the new lease with the Tenant, such terms being imposed by the court or being the same as those under the previous lease of the relevant premises. Accordingly, such a lease may not be as favourable to a Charging Subsidiary as it would otherwise have been which may affect the Borrower’s ability to meet its obligations under the Intercompany Loan Agreement.

Compulsory Purchase

Any property in the United Kingdom may at any time be acquired by, *inter alia*, a local authority or a Government Department (for example the Department of Transport), generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in respect of the investigation of title in respect of the Mortgaged Properties in the Certificate of Title which include replies to local authority search enquiries made by Clifford Chance LLP during January, 2001.

In the event of a compulsory purchase order being made in respect of a Mortgaged Property, compensation would be payable on the basis of the open market value of all owners’ and tenants’ proprietary interests in the Mortgaged Property at the time of the related purchase. In the case of an acquisition of the whole of the Mortgaged Property, the relevant freehold estate and any Leases would both be acquired and the tenants would cease to be obliged to make any further rental payments to the relevant Charging Subsidiary under the relevant Leases. The risk to Noteholders is that the amount received from the proceeds of purchase of the relevant freehold estate may be less than the Principal Amount Outstanding of the Notes together with accrued interest.

There is often a delay between the compulsory purchase of a property 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 any Mortgaged Property, then, unless

the Borrower has other funds available to it, an event of default may occur under the Intercompany Loan Agreement. Following the payment of compensation, the Borrower will be required to prepay all or such part of the Intercompany Loan as is equivalent to the compensation payment received, such prepayment being used by the Issuer to redeem the Notes (or part thereof) at their Principal Amount Outstanding together with accrued interest.

In the case of an acquisition of part of a Mortgaged Property where the relevant tenant's obligation to pay rent under its Lease remains unchanged, the payment of compensation to the Borrower will be used in prepaying the Intercompany Loan.

Frustration

An occupational lease in respect of a Mortgaged Property could, in exceptional circumstances, be frustrated under English law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue.

Change of law

The structure of the issue of the Notes and the ratings which have been or are to be assigned to them are based on English law in effect as at the date of this document. No assurance can be given as to the impact of any possible change to English law or administrative practice after the date of this document.

In particular, it should be noted that important changes to the UK insolvency regime have recently been enacted, although these provisions have not yet been brought into effect. These include the Insolvency Act 2000 which, when brought into force, will allow "small companies" to seek court protection from their creditors for a period of 28 days with the option for the relevant authority to extend this moratorium for a further two months. The Insolvency Act 2000 defines "small company" by reference to certain tests relating to a company's balance sheet total, turnover and average number of employees. Based on the most recent annual audited financial statements of the Issuer, the Borrower and the Charging Subsidiaries, the Issuer, the Borrower and ten of the Charging Subsidiaries are not "small companies", but the other Charging Subsidiaries are "small companies", for the purposes of the relevant legislation. As the Finance Lessors are not members of the Canary Wharf Group, the Issuer is unable to determine whether or not any of the Finance Lessors are "small companies". The position as to whether or not a company is a "small company" may change from period to period depending on its balance sheet total, turnover and average number of employees for that period. The Secretary of State for Trade and Industry may also promulgate regulations to modify the eligibility requirements for "small companies" and can make different provisions for different cases. This may include making regulations excluding special purpose companies from being "small companies". It is also possible, however, that the Secretary of State may extend the definition of "small companies" in the future so that any one or more of the Issuer, the Borrower, the Charging Subsidiaries and/or the Finance Lessors may be excluded or come within the ambit of any relevant legislation. No assurance can be given that this will not be detrimental to the interests of Noteholders.

Withholding Tax under the Notes

In the event withholding taxes are imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, the Issuer is not obliged to gross-up or otherwise compensate Noteholders for the reduction in the amounts the Noteholders will receive as a result of the imposition of withholding taxes.

Reports

Apart from the Certificate of Title and the Valuation Certificates, no new reports have been prepared specifically for the purpose of this Offering Circular or the transactions contemplated herein and none of the Issuer, the Lead Manager and the Trustee has made any independent investigation of any of the matters stated therein except as disclosed in this Offering Circular.

Adoption of Proposed European Directive on the Taxation of Savings

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments, and subject to the proposals not being required to be applied to Notes issued before 1 March, 2001. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

European Monetary Union

It is possible that prior to the maturity of the Notes the United Kingdom may become a participating member state in the European Economic Monetary Union and therefore the euro might become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Notes will become payable in euro and applicable provisions of law may allow the Issuer to redenominate respectively each class of Notes in euro and take additional measures in respect of the Notes. If the Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Notes in accordance with the then prevailing market practice of payment on such debts. It cannot be said with certainty what effect the adoption of the euro by the United Kingdom (if it occurs) would have on investors in the Notes.

The Issuer and the Borrower believe that the risks described above are the principal risks inherent in the transaction for 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 and the Borrower do not represent that the above statements regarding the risk of holding the Notes are exhaustive. Although the Issuer and the Borrower believe that the various structural elements described in this Offering Circular 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.

RESOURCES AVAILABLE TO THE BORROWER AND THE ISSUER

The following is intended only to be a summary of certain provisions of the documents relating to the Notes:

Restated Liquidity Facility Agreement

The Trust Deed contains a covenant requiring the Issuer to maintain, save as described below, a liquidity facility (the “**Liquidity Facility**”) provided by a bank or banks with the Requisite Ratings (as defined below) on terms acceptable to the Rating Agencies from time to time. The Restated Liquidity Facility Agreement will be entered into on the Further Closing Date as a 364-day revolving facility under which a liquidity drawing can be made on any Interest Payment Date in the circumstances further set out under “Available funds and their priority of application” below.

An aggregate principal amount of up to £10,000,000 is available to be drawn on (subject always to such drawing not exceeding the Borrowing Base Amount) under the Restated Liquidity Facility Agreement to meet items (i) to (ix) (other than item (viii)) inclusive of the Pre-Enforcement Issuer Priority of Payments (such amount being, the “**Initial Pre-Enforcement Availability Amount**”) if:

- (i) no Intercompany Loan Enforcement Notice has been served; and
- (ii) the Issuer (or the Trustee as sub-chargee) informs the Liquidity Facility Provider as to why no such Intercompany Loan Enforcement Notice has been served or why the relevant default has been waived.

After the service of an Intercompany Loan Enforcement Notice:

- (i) it is a condition precedent to a drawing under the Restated Liquidity Facility Agreement that any drawing of the Initial Pre-Enforcement Availability Amount shall be repaid in full; and
- (ii) the aggregate principal amount available to be drawn under the Restated Liquidity Facility Agreement (subject always to such drawing not exceeding the Borrowing Base Amount) will vary according to the items in the Post-Enforcement Pre-Acceleration Issuer Priority of Payments in respect of which the relevant drawing is to be applied, as follows:
 - (a) in respect of items (i) to (v) of the Post-Enforcement Pre-Acceleration Issuer Priority of Payments, the maximum initial aggregate amount available to be drawn under the Restated Liquidity Facility Agreement (being £79,000,000 (the “**Initial Maximum Available Amount**”)), subject to reduction as set out below (the “**Maximum Available Amount**” or, as applicable, the “**Class A Liquidity Threshold**”);
 - (b) in respect of item (vi) of the Post-Enforcement Pre-Acceleration Issuer Priority of Payments, such amount as does not cause the principal amount undrawn under the Liquidity Facility to be less than £21,000,000, subject to reduction as set out below (the “**Class B Liquidity Threshold**”);
 - (c) in respect of item (viii) of the Post-Enforcement Pre-Acceleration Issuer Priority of Payments, such amount as does not cause the principal amount undrawn under the Liquidity Facility to be less than £36,000,000, subject to reduction as set out below (the “**Class C Liquidity Threshold**”); and
 - (d) in respect of item (xi) of the Post-Enforcement Pre-Acceleration Issuer Priority of Payments, such amount as does not cause the principal amount undrawn under the Liquidity Facility to be less than £54,000,000 subject to reduction as set out below (the “**Class D Liquidity Threshold**”).

Each of the amounts referred to in paragraphs (a) to (d) above (the “**Liquidity Thresholds**”) will decrease during the period in which the Notes are outstanding, as follows:

- (i) where redemption of the Notes (other than scheduled redemption) occurs in circumstances in which no related release of any Mortgaged Property or Mortgaged Properties from the Issuer Security and Borrower Security occurs, each Liquidity Threshold (and, accordingly, the Maximum Available

Amount) will be reduced to a level calculated by multiplying the then applicable Liquidity Threshold by the fraction having as its numerator the aggregate Principal Amount Outstanding of the Notes (after the relevant redemption has taken place) and as its denominator the scheduled aggregate Principal Amount Outstanding of the Notes;

- (ii) where redemption of the Notes (other than scheduled redemption) occurs in circumstances in which a related release of any Mortgaged Property or Mortgaged Properties occurs then, subject to the Rating Agencies confirming the maintenance of the then current ratings of the Notes, each Liquidity Threshold (and, accordingly, the Maximum Available Amount) will be reduced to a level calculated by multiplying the then applicable Liquidity Threshold by the fraction having as its numerator the value of the Mortgaged Properties after the release of the relevant Mortgaged Property or Mortgaged Properties and as its denominator the value of the Mortgaged Properties before the release of the relevant Mortgaged Property or Mortgaged Properties;
- (iii) in addition to any such reduction referred to above, all of the Liquidity Thresholds (and, accordingly, the Maximum Available Amount) will reduce over time as scheduled redemption of the Notes occurs; and
- (iv) on the Interest Payment Date falling in January 2018, to the extent not already reduced and/or cancelled, the Maximum Available Amount will reduce to £42,000,000.

The Issuer will repay each drawing under the Liquidity Facility upon receipt of the unpaid amount of the relevant Scheduled Payment (together with any Additional Amount) paid under the Restated Intercompany Loan Agreement. Amounts repaid may, subject to various conditions for drawing, be redrawn. The initial Liquidity Facility Provider is Barclays Bank PLC together with any additional or substitute banks whose short-term unsecured, unsubordinated and unguaranteed debt is rated A-1+ by S&P and F-1+ by Fitch.

If (a) the short-term, unsecured, unsubordinated and unguaranteed debt of any party then being the Liquidity Facility Provider ceases to be rated at least A-1+ by S&P or F-1+ by Fitch or the equivalent solicited short-term rating from another internationally recognised rating agency, (such ratings being the “**Requisite Ratings**” for the purposes hereof) or (b) the Liquidity Facility Provider elects not to renew the Liquidity Facility at least five days prior to the end of its 364-day term (for the purposes of the election to renew the Liquidity Facility Provider will only elect to renew if either all parties comprising the Liquidity Facility Provider agree to the extension request or they are able to replace any declining party to the full extent of the declining party’s commitment, with another bank or financial institution with the Requisite Ratings), then the Issuer may request (in the case of (a) above) the affected party or (in the case of (b) above) all parties then comprising the Liquidity Facility Provider, to make a drawing (a “**Standby Drawing**”) of (in the case of (a) above) the affected party’s commitment or (in the case of (b) above) all commitments under the Restated Liquidity Facility Agreement then available for drawing under the Liquidity Facility.

The Standby Drawing will generally be repayable only if the relevant party comprising the Liquidity Facility Provider is re-rated with the Requisite Ratings or replacement liquidity facility on terms acceptable to the Rating Agencies (which could contain more restrictive conditions in relation to making drawings thereunder than the Restated Liquidity Facility Agreement or the then expiring liquidity facility) is entered into or to the extent no longer required in order to maintain the relevant ratings for the Notes from the Rating Agencies. The proceeds of the Standby Drawing will be placed in an account of the Issuer (the “**Standby Account**”) with the Account Bank over which the Issuer will grant security pursuant to the Issuer Deed of Charge.

Interest accrues on any drawing under the Restated Liquidity Facility Agreement at the rate per annum of the three-month LIBOR plus a margin of 1 per cent. per annum (increasing to 2 per cent. per annum in circumstances where, on the first day of an Interest Period, the aggregate amount of drawings made in the previous 12 months exceeds £20,000,000). Interest so accrued on drawings other than Standby Drawings are funded through Additional Amounts payable pursuant to the Restated Intercompany Loan Agreement. Interest on Standby Drawings are funded out of interest earnings on the amount so drawn together with Additional Amounts payable by the Borrower under the Restated Intercompany Loan Agreement. If the Borrower fails to pay such Additional Amounts, interest on the Standby Drawing will be funded out of amounts standing to the credit of the First Loss

Fund Account, failing which the Standby Drawing will be repaid to the Liquidity Facility Provider from the Standby Account.

On enforcement of the Issuer Security, all indebtedness outstanding to the Liquidity Facility Provider under the Restated Liquidity Facility Agreement (other than Subordinated Liquidity Facility Amounts (as defined below) will rank in priority to the Notes and, *inter alia*, to payments due to the Cap Provider (if any).

The Trustee is authorised to make drawings under the Liquidity Facility on behalf of the Issuer.

The Restated Liquidity Facility Agreement will be governed by English law.

The Cap Agreement

The Issuer, on the Initial Closing Date entered into the Cap Agreement with the Cap Provider and the Trustee. Under the terms of the Cap Agreement, if, on any Interest Payment Date (as determined in accordance with Condition 4(d)), the rate for three month sterling LIBOR applicable to the Interest Period ending on such Interest Payment Date (as determined pursuant to the Cap Agreement) is greater than 8.5 per cent. per annum, the Cap Provider will make a payment to the Issuer equal to the product of (a) the rate differential between three month sterling LIBOR as so determined and 8.5 per cent. per annum and (b) the aggregate principal amount outstanding under the Class D Tranche of the Intercompany Loan (the “Notional Amount”) on that Interest Payment Date, multiplied by the actual number of days in the relevant Interest Period divided by 365 (or, in the case of a leap year, 366).

Under the terms of the Cap Agreement, the Notional Amount will be equal to the amount advanced by the Issuer to the Borrower on the Initial Closing Date under the Class D Tranche of the Intercompany Loan as reduced by any prepayments or repayments of the same, from time to time.

The Cap Provider is obliged to make payments under the Cap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Cap Provider is 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. Any such additional amounts are required to be repaid to the Cap Provider to the extent that the Issuer has available funds, after paying or providing for the liabilities of the Issuer ranking in priority thereto — see further “Available Funds and their Priority of Application — Pre-Enforcement Issuer Priority of Payments” and “Available Funds in their Priority of Application — Post-Enforcement Pre-Acceleration Issuer Priority of Payments” below.

In the event that (i) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider are downgraded such that they are not rated A– by S&P and/or (ii) the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider are downgraded such that they are not rated F1 by Fitch, the Cap Provider shall, within 30 days of such downgrade, take such action, at its own expense, satisfactory to the Rating Agencies so that the ratings assigned to the Notes by the Rating Agencies are not adversely affected by the downgrade.

The Cap Provider appointed as the provider of the interest rate cap under the Cap Agreement, has a rating, assigned by the Rating Agencies, for its long-term debt obligations, sufficient to maintain the then current ratings of the Notes by the Rating Agencies unless the obligations of the Cap Provider under the Cap Agreement are guaranteed by a guarantor with an appropriate credit rating, sufficient to maintain the then current ratings of the Notes by the Rating Agencies.

The Cap Agreement contains certain limited termination events and events of default which may entitle a party to terminate the Cap Agreement.

The Cap Agreement is governed by English law.

Bank Accounts — Borrower and Issuer

Rental Receipts Account and Issuer's Transaction Account

Under the terms of the mandate governing the Rental Receipts Account, the Account Bank agreed to comply with the instructions set out therein in relation to the Rental Receipts Account.

On each Intercompany Payment Date (or as soon thereafter as funds are available for such purpose) the Trustee (as assignee of the Borrower's rights under the Rental Receipts Account pursuant to the Composite Debenture) authorises the Cash Manager (pursuant to the Restated Cash Management Agreement) to instruct the Account Bank to transfer from the Rental Receipts Account an amount equal to the Scheduled Payment due on such date (and any Additional Amounts due on such date) to the Issuer's Transaction Account. Prior to each Interest Payment Date (or as soon thereafter as funds are available for such purpose), the Cash Manager or the Trustee authorises the Account Bank to transfer from the Issuer's Transaction Account an amount equal to the payments of principal and interest due on the Notes on such date to the account of the Principal Paying Agent for onward payment to Noteholders.

All amounts received by the Issuer under the Restated Intercompany Loan Agreement, whether by direct payment or prepayment from the Borrower or any Charging Subsidiary (on behalf of the Borrower), are transferred into the Issuer's Transaction Account under the control of the Trustee (as chargee of such account) until such time as it is invested in Eligible Investments or applied in making payments due by the Issuer on each Interest Payment Date. Amounts deposited in the Issuer's Transaction Account will earn a minimum rate of interest related to LIBOR for sterling deposits having a maturity of three months or such other period as may be required.

References in this Offering Circular to the "Issuer's Transaction Account" shall be taken to include any replacement or additional accounts of the Issuer from time to time into which all or any part of the sums to be transferred from the Rental Receipts Account may be placed.

First Loss Fund Account

On the Initial Closing Date, the proceeds of the advance of the Original Borrower Loan to the Issuer were placed in the First Loss Fund Account with the Account Bank. The First Loss Fund Account was charged in favour of the Trustee pursuant to the Issuer Deed of Charge. On the Further Closing Date, a further advance to the Issuer will be made pursuant to a supplemental loan agreement dated the Further Closing Date (the "**Restated Borrower Loan Agreement**") which is supplemental to the Original Borrower Loan and, herein together defined as the "**Restated Borrower Loan**").

The First Loss Fund provides liquidity support and credit support for the Original Notes (other than in respect of any principal payable on the Class D Notes and Subordinated Class D Coupon Amounts) and, to a limited extent, liquidity for the purposes of paying interim management expenses in managing the Mortgaged Properties through the making of FLF Advances. The initial amount of the First Loss Fund was £12,000,000 (the "**Initial Required Amount**"), equal to 2.16 per cent. of the aggregate principal amount of the Original Notes issued on the Initial Closing Date. The First Loss Fund was created at the Initial Closing Date from the proceeds of the advance of the Original Borrower Loan. The amount of the Initial Required Amount will be increased upon the issue of the New Notes on the Further Closing Date and upon the issue of any Further Notes on any Further Issue Date by an amount no greater than 2.16 per cent. of the aggregate principal amount of the New Notes on the Further Closing Date, or as the case may be, Further Notes issued on such Further Issue Date (the "**Required Amount**"). Any increase so required will be funded from further drawings under the Original Borrower Loan.

Cash Collateral Account

Prior to the Acceleration Date, monies equivalent to the rents which would have been payable under any cancelled Lease or Lease the subject of any indulgence (see "Property Covenants and Leasing and Re-leasing Criteria" above) but for such cancellation or indulgence, will be transferred from the Cash Collateral Account to the Rental Receipts Account on or prior to the relevant Intercompany Payment Date following the respective dates on which those rents would otherwise have been payable but for such cancellation or indulgence. Upon re-

letting of the relevant premises to a bona fide tenant or termination of indulgence such sums shall be transferred to the relevant Charging Subsidiary upon request.

Principal Shortfall Ledger

The Borrower will, on the Intercompany Payment Date falling in January 2002 create, within the Cash Collateral Account, the Principal Shortfall Ledger and will, in accordance with the relevant Borrower priorities of payment set out below, transfer on each Intercompany Payment Date falling thereafter to the Cash Collateral Account and record in the Principal Shortfall Ledger any surplus funds standing to the credit of the Rental Receipts Account after payment of the then due amount of the Intercompany Loan.

Such transfers shall continue on each Intercompany Payment Date until the amount in the Cash Collateral Account and recorded in the Principal Shortfall Ledger reaches £14,200,000 (without deduction on account of any amount withdrawn from the Principal Shortfall Ledger to meet any shortfall in Scheduled Principal Payments under the Restated Intercompany Loan Agreement) (the **"PSL Required Amount"**).

Funds standing to the credit of the Cash Collateral Account and recorded in the Principal Shortfall Ledger shall only be utilised by the Borrower to meet any shortfall in Scheduled Principal Payments under the Restated Intercompany Loan Agreement.

Amounts standing to the credit of the Cash Collateral Account and recorded in the Principal Shortfall Ledger shall be released to the Borrower on the earlier of:

- (A) the receipt of written confirmation by the Trustee from the Rating Agencies that the release of the funds as specified in the Borrower's request (which may constitute all or part of the amounts referred to above) to the Trustee will not lead to a downgrading of the then current ratings by the Rating Agencies of any class of Notes; or
- (B) on and from the Intercompany Payment Date falling in October 2005, where the following conditions have been met:
 - a) no Intercompany Loan Enforcement Event has occurred and remains outstanding;
 - b) no amounts are outstanding under any liquidity drawing made by the Issuer under the Restated Liquidity Facility Agreement;
 - c) the First Loss Fund of the Issuer is funded to the Required Amount; and
 - d)
 - (i) for Intercompany Payment Dates falling from October 2005 to July 2006 (both inclusive) the projected weighted average DSCR as calculated by the Cash Manager for each of the Intercompany Payment Dates falling between October 2006 and July 2007 (both inclusive) is equal to or exceeds 1.15; and
 - (ii) for Intercompany Payment Dates falling on and after October 2006 the projected weighted average DSCR as calculated by the Cash Manager on each Intercompany Payment Date for the next four succeeding Intercompany Payment Dates is equal to or exceeds 1.15.

In this section:

"DSCR" means the ratio of the Projected Rental Income to Projected Finance Costs for the applicable calculation period set out in paragraph (d) above (each a **"Projected Period"**).

"Projected Finance Costs" means, on any relevant Intercompany Payment Date, the amount determined by the Cash Manager (acting reasonably) as the aggregate of:

- (i) all Scheduled Payments; and
- (ii) the amount of the FLF Loans required to be repaid on that date, payable during the applicable Projected Period.

“Projected Rental Income” means, on any relevant Intercompany Payment Date, the amount determined by the Cash Manager (acting reasonably) as being the aggregate Rental Income payable in respect of the Mortgaged Properties under any Occupational Lease during the applicable Projected Period:

- (i) on an assumption that any break option or lease termination provisions are exercised by the relevant Occupational Tenant; and
- (ii) at all times excluding any amounts (A) standing to the credit of the Cash Collateral Account and (B) other than rack rents in the Rental Receipts Account.

Defeasance Account

Certain of the monies standing to the credit of the Defeasance Account are available, in the circumstances more particularly described below, to the Issuer as part of Pre-Enforcement Available Issuer Revenue or, as the case may be, Post-Enforcement Available Issuer Revenue (each as defined below).

Eligible Investments

Pursuant to the Restated Cash Management Agreement, amounts held in the Issuer's Accounts and the Borrower's Accounts may be invested from time to time in Eligible Investments at the direction of the Cash Manager.

“Eligible Investments” are, at the option of the Cash Manager, (i) sterling (or such other currency as matches the then currency of the Notes) denominated securities issued by the government of the United Kingdom, (ii) any other unsubordinated security, investment or instrument which is denominated in sterling, has a maturity of the lesser of 90 days or the number of days to the next succeeding Interest Payment Date and has a rating acceptable to the Rating Agencies or, (iii) cash deposits with a bank which has a rating acceptable to the Rating Agencies or (iv) an interest rate swap entered into with a swap counterparty which has a rating acceptable to the Rating Agencies.

Available funds and their priority of application

Monies available to the Borrower

Each relevant Charging Subsidiary, wherever practicable, directs occupational tenants to pay the rack rental payments due on the relevant day in each quarter directly to the Borrower who shall procure that they are paid immediately into the Rental Receipts Account. Where the Charging Subsidiaries themselves receive rack rents from occupational tenants they are required to pay these into the Rental Receipts Account. Certain other amounts, such as compulsory purchase amounts, insurance proceeds and disposal proceeds deriving from the Mortgaged Properties, are, in circumstances permitted by the Relevant Documents, also paid into the Rental Receipts Account.

The Cash Manager transfers monies due on each Intercompany Payment Date from the Rental Receipts Account and, in the circumstances, described in “Principal Shortfall Ledger” above, the Cash Collateral Account to the Issuer's Transaction Account. The Cash Manager may be directed to transfer monies from the Rental Receipts Account to the Issuer's Transaction Account on a day other than the Intercompany Payment Date in certain circumstances, for example, where overdue rack rents are received after the relevant Intercompany Payment Date.

On each Intercompany Payment Date prior to the Acceleration Date (as defined below), the Cash Manager determines whether sufficient monies are standing to the credit of the Rental Receipts Account (including any interest thereon and any proceeds from any Eligible Investments) and, in the circumstances, described in “Principal Shortfall Ledger” above, the Cash Collateral Account to pay all sums then due under the Restated Intercompany Loan Agreement. Whilst the Canary Wharf Group will have no obligation to do so, it will have the right to pay other monies into the Rental Receipts Account at any time. Where such a payment is made to compensate for the non-payment or late payment of rent by an occupational tenant of a Mortgaged Property, the Cash Manager is entitled to withdraw from the Rental Receipts Account any rent subsequently received from

such defaulting occupational tenant to repay the Canary Wharf Group such advance. After the Acceleration Date, the Trustee is entitled to utilise all amounts then standing to the Borrower's Accounts in the Post-Enforcement Borrower Priority of Payments (as defined below).

The priority of application of cash in the Rental Receipts Account prior to the date of service of an Intercompany Loan Enforcement Notice (the "**Intercompany Loan Enforcement Date**") (such priority being referred to as the "**Pre-Enforcement Borrower Priority of Payments**") is set out under the heading bearing that name below and the priority of application after the Intercompany Loan Enforcement Date (such priority being referred to as the "**Post-Enforcement Borrower Priority of Payments**") is set out under the heading bearing that name below.

Monies available to the Issuer

Prior to an Intercompany Loan Enforcement Date, monies which the Issuer has available to it to enable it to perform its obligations under or in respect of the Notes on each Interest Payment Date (the "**Pre-Enforcement Available Issuer Revenue**") will comprise:

- (a) all monies paid to it under the Restated Intercompany Loan Agreement (and no distinction will be made between Scheduled Interest Payments, Scheduled Principal Payments or any other payments made thereunder by the Borrower) other than (save as provided in paragraph (c) below) any amounts comprising the Class B Defeasance Amount or, as applicable, the Class C Defeasance Amount;
- (b) interest accruing on the Issuer's Accounts;
- (c) where, as a result of redemption of Class B Notes, the Class B Defeasance Amount exceeds 17.0 per cent. of the Principal Amount Outstanding of the Class B Notes (after taking account of any redemption of Class B Notes on such Interest Payment Date), the excess (the "**B Defeasance Excess**") will be available to pay items (i) to (vi) inclusive of the Pre-Enforcement Issuer Priority of Payments (as defined below). A similar trigger (save that the relevant percentage will be 18.7 per cent. of the Principal Amount Outstanding of the Class C Notes (after taking into account any redemption of the Class C Notes on such Interest Payment Date)) will apply to the Class C Defeasance Amount to determine whether a "**C Defeasance Excess**" exists, which can be utilised to pay items (i) to (vii) inclusive of the Pre-Enforcement Issuer Priority of Payments;
- (d) amounts deriving from investment of amounts standing to the credit of the Issuer's Accounts in Eligible Investments;
- (e) where applicable, receipts under the Cap Agreement;
- (f) to the extent that the aggregate of the foregoing items (a) to (e) are insufficient to pay or provide for items (i) to (ix) of the Pre-Enforcement Issuer Priority of Payments, a drawing from the First Loss Fund Account equal to the lesser of:
 - (i) such shortfall; and
 - (ii) the balance standing to the credit of the First Loss Fund Account; and
- (g) to the extent that the aggregate of the foregoing items (a) to (f) are insufficient to pay or provide for items (i) to (ix) (other than item (viii)) of the Pre-Enforcement Issuer Priority of Payments below (other than as a result of any insufficiency arising from a default by the Cap Provider in making payment of all or any part of the amounts due under the Cap Agreement or from there being no cap agreement in place at the relevant time) and subject to the Borrowing Base Amount at that time, a drawing under the Restated Liquidity Facility Agreement equal to the lesser of:
 - (i) such shortfall; and
 - (ii) the undrawn balance of the Initial Pre-Enforcement Availability Amount.

After an Intercompany Loan Enforcement Date, but prior to the date upon which the Trustee accelerates all amounts due under the Notes (the "**Acceleration Date**"), revenue available to the Issuer ("**Post-Enforcement**")

Available Issuer Revenue”), will comprise items (a) to (e) of Pre-Enforcement Available Issuer Revenue and the following additional items (which will be utilised in the following order, after the application of amounts available in paragraphs (a) to (e) of the Pre-Enforcement Available Issuer Revenue):—

- (a) drawings from the First Loss Fund Account to pay items (i) to (xi) inclusive of the Post-Enforcement Pre-Acceleration Issuer Priority of Payments (such fund to be exhausted before utilisation of (b) and (c) below);
- (b) amounts then standing to the credit of the Defeasance Account which will, in the case of amounts representing the Class B Defeasance Amount be available to pay items (i) to (vi) inclusive (other than item (iv)) in the Post-Enforcement Pre-Acceleration Issuer Priority of Payments (as defined below) (each sum so utilised, a **“B Defeasance Drawing”**) and which will in the case of amounts representing the Class C Defeasance Amount, be available to pay items (i) to (viii) inclusive (other than item (iv)) under the Post-Enforcement Pre-Acceleration Issuer Priority of Payments (each sum so utilised, a **“C Defeasance Drawing”**) (and such sums will be exhausted before utilisation of (c) below); and
- (c) drawings under the Liquidity Facility, as to the limits and restrictions relating thereto see “Restated Liquidity Facility Agreement” above. In addition to the Borrowing Base Amount and Liquidity Thresholds relating to any such drawing, the Liquidity Facility shall not be used to cover any shortfall occasioned by a default by the Cap Provider in making payment of all or any amounts due under the Cap Agreement or by reason of there being no cap agreement in place at the relevant time.

The Post-Enforcement Available Issuer Revenue will be applied in accordance with the order of priority set out under the heading “Post-Enforcement Pre-Acceleration Issuer Priority of Payments” below.

After an Intercompany Loan Enforcement Date but prior to the Acceleration Date, the circumstances in which the funds standing to the credit of the Borrower’s Accounts and the Issuer’s Accounts are to be utilised will not differ from that which applies prior to an Intercompany Loan Enforcement Date. However, after the Acceleration Date, the Trustee will be able to appropriate any of those funds (other than the amounts standing to the credit of the Defeasance Account, which will be utilised in the same manner as set out in the definition of Post-Enforcement Available Issuer Revenue above) and utilise those monies, in addition to the monies which are otherwise available to it, in accordance with the order of priority set out under the heading “Post- Acceleration Issuer Priority of Payments” below.

Pre-Enforcement Borrower Priority of Payments

- (i) first, in or towards payment of any unpaid expenses of the Borrower;
- (ii) secondly, in or towards payment to the Issuer of the Scheduled Interest Payment and any Additional Amounts;
- (iii) thirdly, in or towards payment to the Issuer of the Scheduled Principal Payment;
- (iv) fourthly, in or towards payment of the amount of the FLF Advances then required to be repaid;
- (v) fifthly, on and from the Intercompany Payment Date falling in January 2002, amounts to be placed in the Cash Collateral Account and recorded in the Principal Shortfall Ledger until the amount recorded in the Principal Shortfall Ledger equals the PSL Required Amount;
- (vi) sixthly, in or towards payment to the Issuer of any other amounts due from the Borrower but unpaid; and
- (vii) seventhly, in circumstances where no default exists under any of the Finance Documents, the surplus to or to the order of the Borrower.

Post-Enforcement Borrower Priority of Payments

- (i) first, in or towards payment of any unpaid expenses of the Borrower;

- (ii) secondly, in or towards payment to the Issuer of the Scheduled Interest Payment and any Additional Amounts;
- (iii) thirdly, in or towards payment to the Issuer of the Scheduled Principal Payment;
- (iv) fourthly, in or towards payment of the amount of the FLF advances then required to be repaid; and
- (v) fifthly, in or towards payment to the Issuer of any other amounts due from the Borrower but unpaid.

Pre-Enforcement Issuer Priority of Payments

- (i) first, to meet the remuneration, costs and expenses of the Trustee;
- (ii) secondly, on a *pro rata* basis, the remuneration, costs and expenses of the Paying Agents, the Agent Bank, the Issuer's auditors, the Rating Agencies and the Cash Manager;
- (iii) thirdly, to the Liquidity Facility Provider in or towards all amounts payable to the Liquidity Facility Provider under the Restated Liquidity Facility Agreement other than the aggregate amounts by which (a) the amount of interest accruing at the Additional Percentage (as defined in the Restated Master Definitions Agreement) exceeds 0.125 per cent. per annum of the principal amount outstanding under the Restated Liquidity Facility Agreement, (b) commitment fees payable in respect of the Restated Liquidity Facility Agreement exceed 0.25 per cent. per annum of the then undrawn, uncanceled amount of the Liquidity Facility and (c) any amounts payable by the Issuer to the Liquidity Facility Provider in respect of its obligation to gross-up any payments made by it under the Restated Liquidity Facility Agreement by reason of any withholding or deduction for or on account of any tax (together, the **"Subordinated Liquidity Facility Amounts"**) (all such amounts other than the Subordinated Liquidity Facility Amounts, being **"Senior Liquidity Facility Amounts"**);
- (iv) fourthly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class A Notes;
- (v) fifthly, sums due or overdue to third parties under obligations incurred in the course of the Issuer's business, including the provision for, and payment of, the Issuer's liability (if any) to corporation tax and any corporate service or company secretarial fees and charges;
- (vi) sixthly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class B Notes;
- (vii) seventhly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class C Notes;
- (viii) eighthly, in or towards payment of amounts, if any, payable to the Cap Provider under the Cap Agreement (including the costs of obtaining any replacement or additional cap provider and/or cap agreement) other than in respect of any Subordinated Cap Amounts (as defined under item (xiii) below);
- (ix) ninthly, in or towards payment of interest on the Class D Notes (other than Subordinated Class D Coupon Amounts);
- (x) tenthly, amounts, if any, to be retained in the First Loss Fund Account to replenish the First Loss Fund Account to its Initial Required Amount or, if higher, its Required Amount;
- (xi) eleventhly, in or towards payment of scheduled amounts of principal due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class D Notes;
- (xii) twelfthly, in or towards payment of Subordinated Class D Coupon Amounts;
- (xiii) thirteenthly, on a *pro rata* basis according to the respective amounts thereof, to (a) the Cap Provider in or towards payment of any amounts due under the Cap Agreement in relation to the Issuer's obligations to refund to the Cap Provider any additional amounts paid by the Cap Provider to the Issuer (in accordance with the Cap Agreement) following a withholding or deduction for or on account of tax on any payment made by the Cap Provider to the Issuer (**"Subordinated Cap Amounts"**) and (b) the Liquidity Facility Provider in respect of any Subordinated Liquidity Facility Amounts;

- (xiv) fourteenthly, in or towards payment of any amount then due or accrued due but unpaid under the Borrower Loan; and
- (xv) fifteenthly, any surplus to the Issuer.

Post-Enforcement Pre-Acceleration Issuer Priority of Payments

- (i) first, to meet the remuneration, costs and expenses of the Trustee and any receiver or receivers appointed by the Trustee pursuant to the Composite Debenture;
- (ii) secondly, on a *pro rata* basis, the remuneration, costs and expenses of the Paying Agents, the Agent Bank, the Issuer's auditors, the Rating Agencies and the Cash Manager;
- (iii) thirdly, to the Liquidity Facility Provider in or towards payment of the Senior Liquidity Facility Amounts;
- (iv) fourthly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class A Notes;
- (v) fifthly, sums due or overdue to third parties under obligations incurred in the course of the Issuer's business, including the provision for, and payment of, the Issuer's liability (if any) to corporation tax and any corporate service or company secretarial fees and charges;
- (vi) sixthly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class B Notes;
- (vii) seventhly, in or towards the repayment of any outstanding B Defeasance Drawing;
- (viii) eighthly, in or towards payment of (a) interest and, thereafter (b) scheduled amounts of principal in each case due or accrued due but unpaid pursuant to Condition 5(b)(i) on the Class C Notes;
- (ix) ninthly, in or towards repayment of any outstanding C Defeasance Drawing;
- (x) tenthly, in or towards payment of amounts, if any, payable to the Cap Provider under the Cap Agreement (including the costs of obtaining any replacement or additional cap provider and/or agreement) other than in respect of any Subordinated Cap Amounts;
- (xi) eleventhly, in or towards payment of interest on Class D Notes (other than Subordinated Class D Coupon Amounts);
- (xii) twelfthly, amounts, if any, to be retained in the First Loss Fund Account to replenish the First Loss Fund Account to its initial amount or, following any issue of Further Notes, any relevant higher amount;
- (xiii) thirteenthly, in or towards payment of scheduled amounts of principal due or accrued due but unpaid on Class D Notes pursuant to Condition 5(b)(i);
- (xiv) fourteenthly, in or towards payment of Subordinated Class D Coupon Amounts;
- (xv) fifteenthly, on a *pro rata* basis, in or towards payment of Subordinated Cap Amounts and Subordinated Liquidity Facility Amounts;
- (xvi) sixteenthly, in or towards payment of all amounts of principal outstanding on the Class A Notes pursuant to Condition 5(b)(ii) after taking into account all amounts paid under item (iv) above, together with any redemption premium payable in respect of the Class A Notes pursuant to Condition 5(c)(ii)(1);
- (xvii) seventeenthly, in or towards payment of all amounts of principal outstanding on the Class B Notes pursuant to Condition 5(b)(ii) after taking into account all amounts paid under item (vi) above, together with any redemption premium payable in respect of the Class B Notes pursuant to Condition 5(c)(ii)(1);
- (xviii) eighteenthly, in or towards payment of all amounts of principal outstanding on the Class C Notes pursuant to Condition 5(b)(ii) after taking into account all amounts paid under item (viii) above, together with any redemption premium payable in respect of the Class C Notes pursuant to Condition 5(c)(ii)(2); and

- (xix) nineteenthly, in or towards payment of all amounts of principal outstanding on the Class D Notes pursuant to Condition 5(b)(ii) after taking into account all amounts paid under item (xi) above, together with, if applicable, any redemption premium payable in respect of the Class D Notes pursuant to Condition 5(c)(i).

Other than the provisions and reserves referred to above, there is no intention to accumulate surpluses in the Issuer.

Post Acceleration Issuer Priority of Payments

After the Acceleration Date, the Issuer will apply all sums received by it in the manner and in the order set out in Condition 2(B).

USE OF PROCEEDS

The estimated proceeds from the issue of the New Class A Notes will be £105,000,000 and the estimated proceeds from the issue of the New Class B Notes will be £15,000,000. On the Further Closing Date, the Issuer will, subject to and in accordance with the Restated Intercompany Loan Agreement, make a Further Advance to the Borrower of £120,000,000 together with a payment of a premium to the Borrower of an amount equal to the premium received by the Issuer in respect of the issue of the New Notes.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 7th August, 1997 (registered number 3416151) as a public company with limited liability under the Companies Act 1985. It changed its name to Canary Wharf Finance plc on 18th September, 1997. The registered office of the Issuer is at One Canada Square, Canary Wharf, London E14 5AB. The authorised share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each, all of which are fully paid up and held by CWG. The Issuer's only subsidiary is the Borrower.

Principal Activities

The principal objects of the Issuer are set out in its Memorandum of Association and are, *inter alia*, to issue securities, financial instruments, investments and derivative contracts, and to raise or borrow money and to grant security over its assets for such purposes and to lend money with or without security.

The Issuer 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 change of its name, the authorisation of the issue of the Original Notes and the New Notes and of the other documents and matters referred to or contemplated in this document to which it is or will be a party (including but not limited to the advance of the Intercompany Loan, the taking of the security for repayment of the Intercompany Loan and the grant of security for the repayment of the Original Notes and the New Notes to the Trustee under the Issuer Deed of Charge), the receipt and disbursement of certain payments under the Original Notes and other documents referred to or contemplated in this document to which it is or will be a party. The Issuer has not, since its incorporation, engaged in activities other than those described in the foregoing sentence.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in Condition 3.

Directors and Secretary

The directors of the Issuer (all of whom, other than Mr Rothman and Mr Honeyman, are executive directors) and their respective business addresses and other principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Other Principal Activities</u>
George Iacobescu	One Canada Square, Canary Wharf, London E14 5AB	Chief Executive Officer, the Canary Wharf Group
A. Peter Anderson II	One Canada Square, Canary Wharf, London E14 5AB	Managing Director, Finance, the Canary Wharf Group
Gerald Rothman	One Canada Square, Canary Wharf, London E14 5AB	Canary Wharf Group Director of companies within the Canary Wharf Group
Stanley Holmes Honeyman	One Canada Square, Canary Wharf, London E14 5AB	Property Consultant

George Iacobescu is chairman of the Issuer. The company secretary of the Issuer is John Raymond Garwood whose business address is One Canada Square, Canary Wharf, London E14 5AB.

The Issuer has no employees or (other than Mr Rothman and Mr Honeyman) non-executive directors.

Cash Management

Pursuant to the Restated Cash Management Agreement, the Cash Manager will agree that it will undertake the day to day cash management requirements of the Issuer and the Borrower.

The Cash Manager will, pursuant to the terms of the Restated Cash Management Agreement, act as agent of the Issuer, the Borrower and the Trustee, arrange for payments to be made to and from the Borrower's Accounts and the Issuer's Accounts in accordance with the Relevant Documents and invest monies standing to the credit from time to time of the Defeasance Account, the First Loss Fund Account, the Issuer's Transaction Account and the Cash Collateral Account in Eligible Investments.

The Issuer will pay to the Cash Manager quarterly in arrear on each Interest Payment Date a fee (inclusive of VAT) of £40,000 per annum. The other fees payable by the Issuer shall be those described in the "Pre-Enforcement Issuer Priority of Payments" and the "Post-Enforcement Pre-Acceleration Issuer Priority of Payments" in the section entitled "Resources available to the Borrower and the Issuer" above. Prior to enforcement of the Issuer Deed of Charge, payment of the Cash Manager's fee ranks senior to payments to, *inter alios*, the Cap Provider, the Liquidity Facility Provider and the Noteholders.

The appointment of the Cash Manager may be terminated by the Issuer (with the prior written consent of the Trustee) or by the Trustee if certain events of default in relation to the Cash Manager occur and a new Cash Manager will be appointed on substantially the same terms.

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Issuer as at the date of this document, adjusted for the New Notes to be issued on the Further Closing Date and the Borrower Loan to be made on the Further Closing Date, are as follows:

Share capital

Authorised and issued

50,000 ordinary shares of £1 each of which 50,000 shares have been issued fully paid	£50,000
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Loan capital

£270,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027	£270,000,000
£105,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027 (now being issued)	£105,000,000
£80,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027	£80,000,000
£15,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027 (now being issued)	£15,000,000
£120,000,000 Class C 5 per cent. Stepped Coupon First Mortgage Debentures due 2027	£120,000,000
£85,000,000 Class D Floating Rate First Mortgage Debentures due 2020	£85,000,000
Borrower Loan	£14,600,000
Total capitalisation and indebtedness	<u>£689,650,000</u>

The Issuer will enter into the Restated Liquidity Facility Agreement described under "Summary of principal documents relating to the Notes" on the Further Closing Date to enable the Issuer to borrow moneys in order to fund liquidity shortfalls. As at the date of this document no amount had been drawn under this facility.

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

Financial Information relating to the Issuer

Nature of financial information

The financial information for the two years ended 30 June 2000 set out below has been extracted without material adjustment from the published audited accounts of the Issuer for those years, which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified report.

PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 30 June 2000 £	Year ended 30 June 1999 £
Turnover — Interest receivable	3	42,412,292	42,026,278
Cost of sales — Interest payable and similar charges	4	(41,576,445)	(41,141,830)
GROSS PROFIT		835,847	884,448
Administrative expenses		(48,026)	(47,500)
PROFIT FOR THE FINANCIAL YEAR	14	<u>787,821</u>	<u>836,948</u>

All amounts relate to continuing activities.

There were no recognised gains or losses for 2000 or 1999 other than those included in the profit and loss account.

BALANCE SHEETS

	Notes	30 June 2000 £	30 June 1999 £
FIXED ASSETS			
Investment	6	<u>2</u>	<u>2</u>
CURRENT ASSETS			
Debtors	7		
Amounts due after one year		555,000,000	555,000,000
Amounts due within one year		15,990,339	12,326,142
Cash at bank and in hand	8	<u>13,949,979</u>	<u>13,331,415</u>
		584,940,318	580,657,557
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(15,748,756)</u>	<u>(12,253,816)</u>
NET CURRENT ASSETS		<u>569,191,562</u>	<u>568,403,741</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		569,191,564	568,403,743
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	<u>(567,000,000)</u>	<u>(567,000,000)</u>
NET ASSETS		<u>2,191,564</u>	<u>1,403,743</u>
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Profit and loss account	14	<u>2,141,564</u>	<u>1,353,743</u>
SHAREHOLDERS' FUNDS — EQUITY	15	<u>2,191,564</u>	<u>1,403,743</u>

NOTES

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the year and the preceding period, is set out below.

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has adapted the standard profit and loss account format to reflect the nature of its business and in particular to show interest receivable and payable as components within gross profit.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the company's balance sheet at cost less provision for impairment.

Debt

Debt instruments are stated initially at the amount of the net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by the payments made in respect of the debt in that period. Finance costs are charged to the profit and loss account.

Deferred taxation

Taxation deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise.

Interest receivable and interest payable

Interest receivable and interest payable are recognised in the period in which they fall due.

2 ADMINISTRATIVE EXPENSES

	Year ended 30 June 2000 £
The profit for the financial period is stated after charging:	
Remuneration of the auditors:	
Audit fees	<u>5,000</u>

Mr S Honeyman received a fee of £5,000 in respect of his services as a director of the company for the year ended 30 June 2000. Other emoluments paid to the directors in respect of their services to Canary Wharf Group plc (CWG) and its subsidiaries, including the company, are paid by CWG and in respect of those directors in common are disclosed in the financial statements of CWG or Canary Wharf Holdings Limited (CWHL) as appropriate.

No staff were employed by the company other than the directors.

3 INTEREST RECEIVABLE

	<u>Year ended</u> <u>30 June 2000</u>
	<u>£</u>
Interest receivable from group undertakings	41,621,869
Bank interest receivable	790,423
	<u>42,412,292</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>30 June 2000</u>
	<u>£</u>
Interest payable on securitised debt (Note 11)	41,576,445
	<u>41,576,445</u>

5 TAXATION

No provision for taxation has been made since the profit for the year will be covered by group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief.

There is no unprovided deferred taxation. The group has substantial tax losses which may impact on the company's future tax charge.

6 INVESTMENTS

	<u>Shares in</u> <u>Group</u> <u>Undertakings</u>
	<u>£</u>
Net Book Value	
At 30 June 2000	<u>2</u>

At 30 June 2000 the company had one subsidiary undertaking as follows:

<u>Name</u>	<u>Description of shares held</u>	<u>Principal activities</u>
CW Lending Limited	Ordinary £1 shares	Provision of finance to the CWHL group

The above is a wholly owned subsidiary registered in England and Wales.

The directors are of the opinion that the value of the company's investment at 30 June 2000 was not less than the amount shown in the company's balance sheet.

7 DEBTORS

	<u>30 June 2000</u>
	<u>£</u>
Due within one year:	
Loan to subsidiary undertaking — interest	15,749,638
Amounts owed by fellow subsidiary undertaking	70,993
Other debtors	6,833
Prepayments and accrued income	162,875
	<u>15,990,339</u>
Due in more than one year:	
Loan to subsidiary undertaking	<u>555,000,000</u>

The loan to the company's subsidiary undertaking is in tranches, the principal terms of which are:

<u>Tranche</u>	<u>Amount</u>	<u>Interest</u>	<u>Repayment</u>
	<u>£m</u>		
A	270	7.240%	By instalment
B	80	7.435%	By instalment
C	120	Stepped	By instalment
D	85	Floating	By instalment
	<u>555</u>		

Interest on the Tranche C loan increased in steps from 5.01%, payable until October 1999, to 9.545%, payable from October 2006. Interest on the Tranche D loan is linked to LIBOR, not to exceed 8.5%.

Repayment of the loans is by instalment over the period 2004 — 2027.

8 FINANCIAL ASSETS

The company's financial assets comprise loans to the company's subsidiary undertaking and cash at bank. Cash at bank was £13,949,979 at 30 June 2000 all of which was held as cash collateral for the company's borrowings.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30 June 2000</u>
	<u>£</u>
Amounts owed to parent undertaking	2,500
Amount owed to fellow subsidiary undertaking	—
Accruals and deferred income	15,746,256
	<u>15,748,756</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>30 June 2000</u>
	<u>£</u>
Securitised Debt (Note 11)	555,000,000
Loan from subsidiary undertaking	12,000,000
	<u>567,000,000</u>

The loan from the company's subsidiary undertaking is interest free and is repayable by instalment between 2024 and 2027.

11 SECURITISED DEBT

The disclosures in this note should be read in conjunction with the disclosures in Note 12.

On 4 December 1997 the company issued £555m of first mortgage debentures, the principal terms of which are:

<u>Class</u>	<u>Amount</u> £m	<u>Interest</u>	<u>Repayment</u>
A	270	7.230%	By instalment
B	80	7.425%	By instalment
C	120	Stepped fixed	By instalment
D	85	Floating	By instalment
	<u>555</u>		

The debentures are secured on certain property interests of the CWHL group and the rental income stream therefrom.

Interest on the Class C Notes increases in steps from 5% payable until October 1999 to 9.535% payable from October 2006. Interest on the Class D Notes is payable at LIBOR plus 1.1% until January 2003 and thereafter 3.1%, but the company has entered into an interest rate cap arrangement so as to cap the portion of interest linked to LIBOR at 8.5%.

Repayment of the fixed rate debentures is by instalments over the period 2004 — 2027. Repayment of the floating rate debentures is by instalments over the period 2007 — 2020. The weighted average maturity of the debentures at 30 June 2000 was 15.7 years. The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1 million on any interest payment date subject to the current ratings of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

The company's aggregate borrowings are repayable as follows:

	<u>30 June 2000</u> £
In five years or more	<u>555,000,000</u>

The interest profile of the company's borrowings at 30 June 2000 was:

	<u>30 June 2000</u> £
Floating rate liabilities (subject to cap)	85,000,000
Fixed rate liabilities	470,000,000
Financial liabilities on which no interest is paid	<u>12,000,000</u>
	<u>567,000,000</u>

In respect of the company's fixed rate financial liabilities:

	<u>At 30 June 2000</u>	
	<u>Weighted average interest rate</u> %	<u>Weighted average period fixed</u> Years
Securitised debt	<u>7.4</u>	<u>17.25</u>

The fair value of the company's financial assets and liabilities as at 30 June 2000, excluding balances with other members of Canary Wharf Group Plc, in comparison with their book values was:

	At 30 June 2000	
	Book Value	Fair Value
	£000	£000
Primary financial instruments held to finance the company's operations:		
Cash on deposit	13,949,979	13,949,979
Long term borrowings	(555,000,000)	(590,891,000)
Derivative financial instruments held to manage the interest rate profile	—	2,939,000

The fair value of sterling denominated fixed rate debt at 30 June 2000 and the associated interest rate cap have been determined by reference to prices available on the markets on which they are traded.

Financing expenses incurred on the issue of first mortgage debentures have been borne by another Canary Wharf Group undertaking.

12 TREASURY OBJECTIVES

The company's financial instruments comprise borrowings, cash and liquid resources, and various items such as loans to or from other members of CWG that arise directly from its operations. The company does not engage in trading of financial instruments.

The company enters into derivative transactions (currently confined to an interest cap) in order to manage the interest rate risk arising from its operations and its sources of finance.

The company's parent reviews and agrees policies for managing the risks associated with the group's financial instruments and these policies are summarised below:

Interest rate risk

The company borrows in sterling at both fixed and floating rates of interest and then uses interest rate caps to generate the desired interest profile and to manage the company's exposure to interest rate fluctuations. The group's policy is to keep the majority of its borrowings at fixed rates. The actual proportion of the company's borrowings at fixed rates at 30 June 2000 was 84.7%.

Liquidity risk

As regards liquidity, the company's policy is to ensure that the maturity of loans to members of the CWHL Group match the maturity of its securitised debt. At 30 June 2000 the weighted average maturity of the company's debt was 15.7 years.

13 SHARE CAPITAL

	30 June 2000
	£
Equity Shares	
Ordinary shares of £1 each	
Authorised	50,000
Allotted, called-up, and fully paid	50,000

14 RESERVES

	<u>Profit and Loss account</u>
	£
At 1 July 1999	1,353,743
Retained profit for the financial year	<u>787,821</u>
At 30 June 2000	<u>2,141,564</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds as at 1 July 1999	1,403,743
Profit for the financial year	<u>787,821</u>
Shareholders' funds as at 30 June 2000	<u>2,191,564</u>

16 CAPITAL COMMITMENTS

As at 30 June 2000 the company had given fixed and floating charges over all its assets, including first fixed charges over its bank accounts, to secure the debentures referred to in Note 11.

17 RELATED PARTIES

The company's immediate parent undertaking and its ultimate UK parent is Canary Wharf Group plc, a company registered in England and Wales.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS8 allowing the company not to disclose related party transactions with respect to other group companies.

THE BORROWER

Introduction

The Borrower was incorporated in England and Wales on 23rd May, 1997 (registered number 3376070) with limited liability under the Companies Act 1985. It changed its name to Canary Wharf Borrower Limited on 18th September, 1997 and to CW Lending Limited on 6th October, 1997. The registered office of the Borrower is at One Canada Square, Canary Wharf, London E14 5AB. The authorised share capital of the Borrower is £100, divided into 100 ordinary shares of £1 each, two of which have been issued and are held by the Issuer. The Borrower has no subsidiaries.

Principal Activities

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

The Borrower has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a limited company under the Companies Act 1985, the change of its name, the authorisation of its entry into the Original Intercompany Loan Agreement and Composite Debenture to which it is a party, the drawing of the Original Intercompany Loan, the granting of security therefor under the Composite Debenture and the disbursement of payments under the Original Intercompany Loan Agreement and the other documents and matters referred to or contemplated in this document to which it is a party.

Directors and Secretary

The directors of the Borrower (all of whom, other than Mr Rothman, are executive directors) and their respective business addresses and other principal activities are;

<u>Name</u>	<u>Business Address</u>	<u>Other Principal Activities</u>
George Iacobescu	One Canada Square, Canary Wharf, London E14 5AB	Chief Executive Officer, the Canary Wharf Group
A. Peter Anderson II	One Canada Square, Canary Wharf, London E14 5AB	Managing Director, Finance, the Canary Wharf Group
Gerald Rothman	One Canada Square, Canary Wharf, London E14 5AB	Director of companies within the Canary Wharf Group

George Iacobescu is chairman of the Borrower. The company secretary of the Borrower is John Raymond Garwood whose business address is One Canada Square, Canary Wharf, London E14 5AB.

The Borrower has no employees or (other than Mr Rothman) non-executive directors.

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Borrower as at the date of this document, adjusted for the Intercompany Loan to be made on the Further Closing Date, are as follows:

Share capital

Authorised and issued
100 ordinary shares of £1 each of which 2 shares have been issued fully paid £2

Loan capital

Intercompany Loan	<u>£675,000,000</u>
Total capitalisation and indebtedness	<u>£675,000,002</u>

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

Accountants' Report

The following is the text of a report received by the directors of the Issuer from Arthur Andersen, Chartered Accountants, the registered auditors to the Issuer and the Borrower and reporting accountants to the Issuer.

The Directors
Canary Wharf Finance plc
One Canada Square
Canary Wharf
London E14 5AB

19 February, 2001

Gentlemen

CW LENDING LIMITED (THE "BORROWER")

We report on the financial information on the Borrower set out below. This financial information has been prepared for inclusion in the Circular relating to the issue of First Mortgage Debentures by Canary Wharf Finance plc (the "Issuer") dated 19 February, 2001 ("the Circular").

Basis of preparation

The financial information set out below, which has been prepared in accordance with applicable United Kingdom accounting standards, is based on the audited financial statements of the Borrower for the two years ended 30 June 2000 ("the financial statements") to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the Directors of the Borrower who approved their issue.

The Directors of the Issuer are responsible for the contents of Circular in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practises Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously

obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Borrower as at the dates stated and of its profits for the periods then ended.

PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 30 June 2000 £	Year ended 30 June 1999 £
Interest receivable	3	39,277,926	45,352,075
Interest payable and similar charges	4	(39,236,586)	(45,284,016)
PROFIT FOR THE FINANCIAL YEAR	10	<u>41,340</u>	<u>68,059</u>

All amounts relate to continuing activities.

There were no recognised gains or losses for 2000 or 1999 other than those included in the profit and loss account.

BALANCE SHEETS

	Notes	30 June 2000 £	30 June 1999 £
CURRENT ASSETS			
Debtors: Amounts due after one year	6	593,272,045	581,125,357
Debtors: Amounts due within one year	6	31,065,363	19,107,197
Cash at bank and in hand		<u>9,389,334</u>	<u>15,893,003</u>
		633,726,742	616,125,557
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(78,389,435)</u>	<u>(60,829,590)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		555,337,307	555,295,967
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	<u>(555,000,000)</u>	<u>(555,000,000)</u>
NET ASSETS		<u>337,307</u>	<u>295,967</u>
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account	10	<u>337,305</u>	<u>295,965</u>
SHAREHOLDERS' FUNDS — EQUITY		<u>337,307</u>	<u>295,967</u>

NOTES TO THE FINANCIAL INFORMATION

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been applied consistently throughout the period, is set out below.

Accounting convention

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

Deferred taxation

Taxation deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise.

Interest receivable and interest payable

Interest receivable and interest payable are recognised in the period in which they fall due.

2 ADMINISTRATIVE EXPENSES

None of the directors received any emoluments in respect of their services to the company during the year.

No staff were employed by the company other than the directors.

Auditors' remuneration has been borne by another Canary Wharf Group undertaking.

3 INTEREST RECEIVABLE

	Year ended 30 June 2000
	£
Interest receivable from group undertakings	38,802,233
Bank interest receivable	475,693
	<u>39,277,926</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2000
	£
Bank loans and overdrafts	2,841
Interest payable to group undertakings	39,233,745
	<u>39,236,586</u>

5 TAXATION

No provision for taxation has been made since the profit for the year will be covered by the group relief expected to be made available to the company by other companies in the group. No charge will be made by other group companies for the surrender of group relief.

There is no unprovided deferred taxation. The group has substantial tax losses which may impact on the company's future tax charge.

6 DEBTORS

	<u>30 June 2000</u>
	<u>£</u>
Due within one year:	
Amounts owed by fellow subsidiary undertakings	31,063,616
Prepayments and accrued income	<u>1,747</u>
	<u>31,065,363</u>
Due in more than one year:	
Loan to parent undertaking	12,000,000
Loans to fellow subsidiary undertakings	<u>581,272,045</u>
	<u>593,272,045</u>

The loan to the parent undertaking is interest free and is repayable by instalment between 2024 and 2027. The loans to fellow subsidiary undertakings represent loans to members of the CWHL group. Such loans bear interest at a premium to that charged on the loans referred to in Note 8 and are repayable in 2027.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30 June 2000</u>
	<u>£</u>
Loan owed to parent undertaking	15,749,638
Loans from fellow subsidiary undertakings	56,540,513
Amounts owed to fellow subsidiary undertakings	<u>6,099,284</u>
	<u>78,389,435</u>

The loan from the parent undertaking represents interest on the loan referred to in Note 8 below.

The loans from fellow subsidiary undertakings bear interest at a rate linked to that charged on the loans referred to in Note 8 and are repayable on demand.

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>30 June 2000</u>
	<u>£</u>
Loans owed to parent undertaking	555,000,000
	<u>555,000,000</u>

The loan from the parent undertaking is repayable in tranches, the principal terms of which are:

<u>Tranche</u>	<u>Amount</u>	<u>Interest</u>	<u>Repayment</u>
	<u>£000</u>		
A	270,000	7.240%	By instalment
B	80,000	7.435%	By instalment
C	120,000	Stepped	By instalment
D	<u>85,000</u>	Floating	By instalment
	<u>555,000</u>		

Interest on the Tranche C loan increases in steps from 5.01%, payable until October 1999, to 9.545%, payable from October 2006. Interest on the Tranche D loan is linked to LIBOR, not to exceed 8.5%.

Repayment of the loans is by instalment over the period 2004 — 2027.

9 CALLED UP SHARE CAPITAL

	<u>30 June 2000</u>
	£
Equity Shares	
Ordinary shares of £1 each	
Authorised	<u>100</u>
Allotted, called-up, and fully paid	<u>2</u>

10 RESERVES

	<u>Profit And Loss Account</u>
	£
At 1 July 1999	295,965
Profit for the financial year	<u>41,340</u>
At 30 June 2000	<u>337,305</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds at 1 July 1999	295,967
Profit for the financial year	<u>41,340</u>
Shareholders' funds at 30 June 2000	<u>337,307</u>

12 CAPITAL COMMITMENTS

As at 30 June 2000 the company had given fixed and floating charges over all its assets, including first fixed charges over its bank accounts, to secure the borrowings of its immediate parent undertaking.

13 RELATED PARTIES

The company's immediate parent undertaking is Canary Wharf Finance plc, a company registered in England and Wales. The company's ultimate UK parent is Canary Wharf Group Plc, a company registered in England and Wales.

The directors have taken advantage of the exemption in paragraph 3(c) of FRS8 allowing the company not to disclose related party transactions with respect to other group companies.

Yours faithfully,

Arthur Andersen
Chartered Accountants"

VALUATION CERTIFICATES



INTERNATIONAL PROPERTY CONSULTANTS

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CB Hillier Parker Limited, Registered in England No.3536032.
Registered Office 77 Grosvenor Street, London W1K 3JT

The Directors
Canary Wharf Finance plc
One Canada Square
Canary Wharf
London E14 5AB

19 February 2001

The Directors
Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA

The Directors
Bankers Trustee Company Limited (the "Trustee")
Winchester House
1 Great Winchester Street
London EC2N 2DB

Ladies and Gentlemen,

Valuation of Certain Properties at Canary Wharf, London E14

1 Instructions

- 1.1 In accordance with instructions received from Canary Wharf Finance plc (the "Issuer"), as confirmed in our letter dated 5 February 2001, we have inspected the properties referred to below (the "Properties") and made all relevant enquires in order to provide our opinion of Open Market Value as at 31 January, 2001 of the freehold interests, subject to and with the benefit of the various occupational leases.
- 1.2 We understand that our valuation is required in connection with the issue by the Issuer of an additional £120,000,000 multi-class secured fixed rate debentures due 2027 (the "New Notes"), which are to be secured by way of first fixed legal mortgages over the Properties. This "Valuation Certificate" has been prepared for the purpose of inclusion in a circular to investors (the "Offering Circular").

2 The Properties

- 2.1 The Properties we have valued are briefly described in the "Schedule" attached to this Valuation Certificate. It has been prepared in accordance with paragraphs 18.10 to 18.19 of the Listing Rules, to which we refer below. Each property identified in the Schedule has been valued individually, and not as part of a portfolio.

3 Basis of Valuation

- 3.1 Our valuation has been carried out in accordance with The Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual published in September 1995, as subsequently amended (the "Manual"), and in accordance with the relevant provisions of Chapter 18 of the Listing Rules issued by the UK Listing Authority (the "Listing Rules"). It has been undertaken by External Valuers, as defined in the Manual.
- 3.2 In accordance with the Manual and the Listing Rules, our valuation has been prepared on the basis of Open Market Value, which is defined in the Manual, as follows:
- 3.3 "An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:
- (a) a willing seller;
 - (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
 - (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
 - (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
 - (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".

4 Valuations

- 4.1 On the basis outlined in this Valuation Certificate, we are of the opinion that each individual Open Market Value as at 31 January 2001 of the respective freehold interests, subject to and with the benefit of the various occupational leases, as summarised in the Schedule, is as stated against that property in the Schedule.
- 4.2 Our valuations are exclusive of any VAT.
- 4.3 The aggregate of the said individual Open Market Values is £325,000,000 (THREE HUNDRED AND TWENTY FIVE MILLION POUNDS).

5 Realisation Costs

- 5.1 No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of a Property. Our valuations are, however, net of acquisition costs (if any).

6 Estimated Net Annual Rents Receivable

- 6.1 In the Schedule, we set out our estimates of the net annual rents receivable from the Properties. In providing these estimates, we have had regard to the definition contained in paragraph 18.2 (d) of the Listing Rules. This defines "net annual rent" as "the current income or income estimated by the valuer:
- (i) ignoring any special receipts or deductions arising from the property;
 - (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
 - (iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent."

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

7 Estimated Net Annual Rent

- 7.1 The Schedule sets out our opinion of the current Estimated Net Annual Rent, which is our opinion of the best rent at which a letting of an interest in property would have been completed at the date of valuation assuming:
- (a) a willing landlord;
 - (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the rent and other letting terms and for the completion of the letting;
 - (c) that the state of the market, levels of values and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the date of valuation;
 - (d) that no account is taken of any additional bid by a prospective tenant with a special interest;
 - (e) that the length of term and principal conditions assumed to apply to the letting and the other lease terms are the same as those referred to in the rent review clause and schedule contained in the relevant occupational lease, which we confirm are not exceptionally onerous or beneficial for a letting of the type and class of the subject property; and
 - (f) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.
- 7.2 For the avoidance of doubt the Estimated Net Annual Rents reported are what are commonly referred to as "net effective rents" agreed at rent review.

8 Assumptions and Sources of Information

Floor Areas

- 8.1 We have relied upon the floor areas provided to us by the Issuer. In certain instances check measurements have been taken on site, and the floor area figures provided have proved to be accurate. We assume that all floor area figures provided are complete and correct and calculated in accordance with the fourth edition of the Code of Measuring Practice issued by the RICS and the Incorporated Society of Valuers and Auctioneers. All measurements and areas quoted in this Valuation Certificate are approximate.

Plant and Machinery

- 8.2 Landlords' plant and machinery such as lifts, escalators, air conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.
- 8.3 No specialist tests have been carried out on any of the service systems and, for the purpose of our valuations, we have assumed that all are in good working order and in compliance with any relevant statute, by-law or regulation.

Environmental Investigations, Ground Conditions and High Voltage Apparatus

- 8.4 We have not ourselves undertaken any environmental investigations, for contamination or otherwise, but we have had sight of the Environmental Report (as defined in the Offering Circular) and our valuations have been made in full knowledge of the contents thereof.

- 8.5 We have assumed that, except to the extent disclosed to us by the Issuer or in the Environmental Report, there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.
- 8.6 We are informed that high voltage supply apparatus exists within, or in close proximity to the Properties. If required, technical information can be obtained from the National Radiological Protection Board. Public perception that higher than normal electromagnetic fields may affect health could adversely affect future marketability and value. We do not believe the market would make a discount to reflect these matters, and therefore in our valuations we have made no allowance for them.

Inspections

- 8.7 We have valued the Properties in the past for other purposes and have inspected them internally over the last 12 months. For the purpose of this valuation, we have reinspected each Property externally during January 2001. We have been advised by the Directors of the Company that there have been no material changes to any of the Properties since our inspections.

Building Structure

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

Town Planning and Statutory Requirements

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

Tenure and Tenancies

- 8.12 We have inspected the Certificate of Title (attaching lease summaries) prepared by the Issuer's solicitors and dated 19 February, 2001 (the "Certificate") and confirm as follows:
- (a) where we have relied upon information provided to us by the Issuer, such information is not inconsistent with the Certificate;
 - (b) we have assumed that, save as may be disclosed by the Certificate, the Properties possess good marketable titles free from any unusual encumbrances, restrictions or obligations; and
 - (c) we have assumed that, save as may be disclosed by the Certificate, nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the respective values of the Properties.
- 8.13 No account has been taken of any mortgages, debentures or other security which may now or in the future exist over any of the Properties.

Tenants' Covenants

- 8.14 We have not conducted credit enquiries into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market's perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its lease obligations, and that there are no material undisclosed breaches of covenant.

Intra-Group Leases

- 8.15 We are informed that the Properties are the subject of a number of intra-group leases. As instructed, these have been ignored by us in undertaking our valuations. We understand that both the Issuer and Trustee have been granted security over these interests as well as the principal interest in respect of each property, as described in the Schedule.

Finance Leases

- 8.16 Where Finance Leases (as defined in the Offering Circular) are in place, we have been informed that cash collateral sufficient to secure the Finance Lease obligations in full, both exists and is available to the Finance Lessors (as set out in the Offering Circular). Accordingly, in our valuations we have made no adjustment on account of the existence or otherwise of any Finance Leases.

9 Options and Directors' Dealings

- 9.1 We are not aware of any options in the form referred to at paragraph 18.10 (i) of the Listing Rules. We are also not aware of any Directors' dealings in the form referred to at paragraph 18.10 (j) of the Listing Rules.

10 Responsibility

- 10.1 This Valuation Certificate is for the use only of the following parties:

- (a) the addressees of this Valuation Certificate; and
- (b) any other manager subscribing for the Notes or proportion thereof in conjunction with Morgan Stanley & Co. International Limited as lead manager

and may be relied upon by each of them in connection with the issue of the Notes, and for no other purpose. We acknowledge that this Valuation Certificate is also to be disclosed to each of the rating agencies, namely Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc., and Fitch Ratings Limited, who are to allocate investment ratings to one or more classes of the Notes.

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

Yours faithfully

**D C MARTIN BSc IRRV
DIRECTOR**

**For and on behalf of
CB HILLIER PARKER**

SCHEDULE

<u>Property</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Net Annual Rents Receivable</u>	<u>Estimated Net Annual Rent</u>	<u>Open Market Value</u>
			£	£	£
LONDON E14 25 The North Colonnade Canary Wharf	Purpose built, air conditioned, office building on basement, ground and 15 upper floors. Incorporating 35 car spaces at basement level. Total area approximately 33,426 sq m (363,200 sq ft) of office space. Rights over an additional 56 car spaces located elsewhere on Canary Wharf are included within the lease of the building. Built in 1989-91. Freehold.	Entire let to Financial Services Authority on a substantially full repairing and insuring lease for a term of 20 years from 4 November 1998 subject to a break option in 2013. Rent subject to five yearly upward only rent reviews.	8,240,513	13,750,000	186,500,000
LONDON E14 30 The South Colonnade Canary Wharf	Purpose built, air conditioned office building on basement, ground and 10 upper floors, incorporating 23 car spaces and retail accommodation at basement and ground levels. Rights over an additional 112 car parking spaces located elsewhere on Canary Wharf are included in the lease of the building. Total area approximately 27,360 sq m (296,100 sq ft) of office and retail space. Built 1989-91. Freehold.	Entire Offices let to London Underground Ltd on a substantially full repairing and insuring lease expiring April 2019. Tenants break option April 2004 Upward only rent reviews 25 April 2004 and every five years. Retail let to CWC SPVf Ltd for 150 years from 28 June 1996 on full repairing and insuring terms. Note 1.	9,000,000	10,450,000	138,500,000

1. The office lease limits increases in the estate service charges to RPI.

FPDSavills

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19 February, 2001

The Directors
Canary Wharf Finance plc
One Canada Square
Canary Wharf
London E14 5AB

The Directors
Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA

The Directors
Bankers Trustee Company Limited (the "Trustee")
Winchester House
1 Great Winchester Street
London EC2N 2DB

Ladies and Gentlemen,

Valuation of Certain Properties at Canary Wharf, London E14

1. Instructions

- 1.1 In accordance with instructions received from Canary Wharf Finance plc (the "Issuer"), as confirmed in our letter dated 5 February 2001, we have inspected the investment properties referred to below (the

Europe United Kingdom, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Spain **Asia** Hong Kong, Beijing, Guangzhou, Shanghai, Bangkok, Jakarta, Kuala Lumpur, Manila, Singapore **Australasia** Sydney, Adelaide, Brisbane, Hobart, Melbourne, Perth, Israel **South Africa** Botswana, Zimbabwe, Namibia

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"Properties") and made all relevant enquires in order to provide our opinion of Open Market Value as at 31 January 2001 of the freehold and leasehold interests, subject to and with the benefit of the various occupational leases.

- 1.2 We understand that our valuation is required in connection with the issue by the Issuer of an additional £120,000,000 multi-class secured fixed rate debentures due 2027 (the "New Notes"), which are to be secured by way of first fixed legal mortgages over the Properties. This "Valuation Certificate" has been prepared for the purpose of inclusion in a circular to investors (the "Offering Circular").

2. The Properties

- 2.1 The Properties we have valued are briefly described in the "Schedule" attached to this Valuation Certificate. It has been prepared in accordance with paragraphs 18.10 to 18.19 of the Listing Rules, to which we refer below. Each property has been valued individually and not as part of a portfolio.

3. Basis of Valuation

- 3.1 Our valuation has been carried out in accordance with The Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual published in September 1995, as subsequently amended (the "Manual"), and in accordance with the relevant provisions of Chapter 18 of the Listing Rules issued by the UK Listing Authority (the "Listing Rules"). It has been undertaken by External Valuers, as defined in the Manual.
- 3.2 In accordance with the Manual and the Listing Rules, our valuation has been prepared on the basis of Open Market Value, which is defined in the Manual as follows:

"An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

4. Valuations

- 4.1 On the basis outlined in this Valuation Certificate, we are of the opinion that each individual Open Market Value as at 31 January 2001 of the respective freehold and leasehold interests, subject to and with the benefit of the various occupational leases, as summarised in the Schedule, is as stated against that Property in the Schedule.
- 4.2 Our valuations are exclusive of any VAT.

4.3 The aggregate of the said individual Open Market Values is as follows:

Freehold Interests	£772.50M	(Seven Hundred and Seventy Two Million Five Hundred Thousand Pounds)
Leasehold Interests	£ 55.00M	(Fifty Five Million Pounds)
Total	£827.50M	(Eight Hundred and Twenty Seven Million Five Hundred Thousand Pounds)

5. Realisation Costs

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

6. Estimated Net Annual Rents Receivable

6.1 In the Schedule, we set out our estimates of the net annual rents receivable from the Properties. In providing these estimates, we have had regard to the definition contained in paragraph 18.2(d) of the Listing Rules.

This defines "net annual rent" as "the current income or income estimated by the valuer:

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

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

7. Estimated Net Annual Rent

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

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

- 7.2 For the avoidance of doubt, the Estimated Net Annual Rents reported are what are commonly referred to as “net effective rents” agreed at rent review.

8. Assumptions and Sources of Information

Floor Areas

- 8.1 We have relied upon the floor areas provided to us by the Issuer. In certain instances check measurements have been taken on site, and the floor area figures provided have proved to be accurate. We assume that all floor area figures provided are complete and correct and calculated in accordance with the fourth edition of the Code of Measuring Practice issued by the RICS and the Incorporated Society of Valuers and Auctioneers. All measurements and areas quoted in this Valuation Certificate are approximate.

Plant and Machinery

- 8.2 Landlord’s plant and machinery such as lifts, escalators, air conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our valuations.
- 8.3 No specialist tests have been carried out on any of the service systems and, for the purpose of our valuations, we have assumed that all are in good working order and in compliance with any relevant statute, by-law or regulation.

Environmental Investigations, Ground Conditions and High Voltage Apparatus

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

Inspections

- 8.7 For the purpose of this valuation we have inspected the Properties internally during February 2001. At One Canada Square, we inspected sample floors throughout the building.

Building Structure

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

Town Planning and Statutory Requirements

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

Tenure and Tenancies

- 8.12 We have inspected the Certificate of Title (with lease summaries attached) prepared by the Issuer's solicitors and dated 19 February, 2001 (the "Certificate") and confirm as follows:
- (a) where we have relied upon information provided to us by the Issuer, such information is not inconsistent with the Certificate;
 - (b) we have assumed that, save as may be disclosed by the Certificate, the Properties possess good marketable titles free from any unusual encumbrances, restrictions or obligations;
 - (c) we have assumed that, save as may be disclosed by the Certificate, nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the respective values of the Properties; and
 - (d) in respect of the leasehold property, we have assumed that consent to assign the leasehold interest would not be withheld or delayed by the relevant landlord if requested.
- 8.13 No account has been taken of any mortgages, debentures or other security which may now or in the future exist over any of the Properties.

Tenants' Covenants

- 8.14 We have not conducted credit enquiries into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market's perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its lease obligations, and that there are no material undisclosed breaches of covenant.

Intra-Group Leases

- 8.15 We are informed that the Properties are the subject of a number of intra-group leases. As instructed, these have been ignored by us in undertaking our valuations. We understand that both the Issuer and the Trustee have been granted security over these interests as well as the principal interest in each property, as described in the Schedule.

Finance Leases

- 8.16 Where Finance Leases (as defined in the Offering Circular) are in place, we have been informed that cash collateral sufficient to secure the Finance Lease obligations in full, both exists and is available to the Finance Lessors (as set out in the Offering Circular). Accordingly, in our valuations we have made no adjustment on account of the existence or otherwise of any Finance Leases.

The FTLP Lease

- 8.17 We refer to the FTLP Lease, which is an interest held by First Tower T1 Limited and First Tower T2 Limited (the "intermediate tenant") in Floors 5, 6, 25, 26, 27, 29 and 30 of One Canada Square. Briefly, the intermediate tenant holds a lease for 99 years from 1987 at a fixed rent of £2,000 per annum, subject to and with the benefit of an underlease for 99 years from 1987 at a fixed rent receivable of £5,000 per annum. Both the intermediate tenant's landlord and tenant are Canary Wharf group companies.

Should this interest be excluded from a sale of One Canada Square for whatever reason, we are of the opinion that there would be no material impact on the value of the Property as a whole.

9. Options and Directors' Dealings

- 9.1 We are not aware of any options in the form referred to at paragraph 18.10(i) of the Listing Rules. We are also not aware of any Directors' dealings in the form referred to at paragraph 18.10(j) of the Listing Rules.

10. Responsibility

- 10.1 This Valuation Certificate is for the use only of the following parties:

- (a) the addressees of this Valuation Certificate; and
- (b) any other manager subscribing for the Notes or proportion thereof in conjunction with Morgan Stanley & Co International Limited as lead manager,

and may be relied upon by each of them in connection with the issue of the Notes, and for no other purpose. We acknowledge that this Valuation Certificate is also to be disclosed to each of the rating agencies, namely Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc., and Fitch Ratings Limited, who are to allocate investment ratings to one or more classes of the Notes.

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

Yours faithfully

For and on behalf of FPD Savills Commercial Limited

WAC NEWSOM FRICS

Director

SCHEDULE

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable	Estimated Net Annual Rent	Open Market Value
London E14 One Canada Square, Canary Wharf	45 floors of a unique 50 storey high quality air conditioned building providing 114,317 sq m (1,230,500 sq ft) of offices and storage, together with rights and spaces for 550 cars. Offices finished to Category A specification. Floor 30 and part of Floor 5 are occupied by Canary Wharf Ltd. Completed 1991. Freehold. Valuation excludes concourse level retail, which is let on a 150 year peppercorn lease.	Let on 50 substantially full repairing and insuring leases to 25 tenants including KPMG, The Telegraph Group, Mirror Group Newspapers, Bear Stearns, State Street Bank, the Bank of New York, Maersk and EULER Trade Indemnity. All leases of more than 5 years provide for 5 yearly upward only rent reviews or for fixed increases.	£34,536,331 per annum	£51,720,000 per annum	£700,000,000
London E14 7 Westferry Circus, Canary Wharf	Floors 1 to 8 and basement of a high quality mid-terrace air conditioned building providing 15,162 sq m (163,300 sq ft) of offices and storage, together with rights and spaces for 77 cars. Offices finished to Category A specification. Completed 1992. Freehold. Valuation excludes ground floor retail, which is let on a 150 year peppercorn lease.	Floors 3, 4, 5 and 7 let to EMEA for terms expiring on 31 December 2014 with rent reviews on 1 January 2005 and 2010. Floors 6 and 8 let to Credit Suisse First Boston International for terms expiring in September 2002 and December 2007 respectively. Floors 1 and 2 let to EDS Limited and Edward S Jones until December and November 2007 respectively. All are substantially full repairing and insuring leases with five yearly upward only rent reviews.	£4,022,145 per annum	£5,490,000 per annum	£72,500,000
London E14 Floors 9 & 10, 10 Cabot Square, Canary Wharf	Floors 9 & 10 of a high quality, air conditioned office building providing 9,648 sq m (103,854 sq ft), together with rights for 73 cars. Offices finished to Category A specification. Completed 1991. Leasehold for 1,000 years from August 1994 at £2.00 per annum.	Let to WPP Group plc on a substantially full repairing and insuring lease expiring August 2016. Upward only rent reviews in September 2001 and five yearly thereafter to Open Market Rental Value.	£2,804,058 per annum	£3,930,000 per annum	£55,000,000

INFORMATION REGARDING THE MORTGAGED PROPERTIES

Introduction

The Mortgaged Properties to be charged on the Closing Date pursuant to Composite Debenture comprise all of the office areas in the buildings numbered 1, 3, 4 and 5 below and the offices on the ninth and tenth floors of the building numbered 2 below.

Address	Name	Composite Interest ⁽¹⁾	Whole Building NIA ⁽²⁾	Office Area Securitised	% of Securitised Area Leased ⁽¹⁾
1 One Canada Square	DS7	Freehold	1,245,400 sq ft	1,230,500 sq ft	100.0%
2 10 Cabot Square	FC2	1000 Year Lease	636,600 sq ft	103,900 sq ft	100.0%
3 25 The North Colonnade . . .	FC3	Freehold	363,200 sq ft	363,200 sq ft	100.0%
4 30 The South Colonnade . . .	FC6	Freehold	296,100 sq ft	282,400 sq ft	100.0%
5 7 Westferry Circus	B2	Freehold	179,300 sq ft	163,300 sq ft	98.7%
Total			<u>2,719,600 sq ft</u>	<u>2,143,300 sq ft</u>	<u>99.9%</u>

(1) All interests subsisting in the Mortgaged Properties, up to and including the interest identified, are included in the security created pursuant to the Composite Debenture and the Finance Lessor Charge other than leases held by Occupational Tenants and the FTLTP Lease.

(2) Net Internal Area of Office and Retail.

These are all prime Canary Wharf office buildings constructed as part of the first phase of the Canary Wharf project.

The map of the Estate on the inside back cover of this document shows where the Mortgaged Properties are located on the Estate.

In all cases, any retail space within the Mortgaged Properties is excluded from the security created pursuant to the Composite Debenture. The Issuer will have no recourse to the cashflows arising from rents paid in respect of such retail space.

The rent payable by all of the occupational tenants of the Mortgaged Properties includes rent payable for any rights to park in car parks on the Estate. The car parks themselves are excluded from the security created pursuant to the Composite Debenture, except for the car parks which form part of the buildings numbered 3, 4 and 5. The rights of tenants or prospective tenants to park in other car parks on the Estate are included in the security created pursuant to the Composite Debenture as rights appurtenant to the relevant Mortgaged Properties.

One Canada Square

The building was designed by Cesar Pelli and completed in 1991. This Mortgaged Property comprises 45 floors of prime office accommodation, totalling 1.2m square feet.

The building is a steel framed construction with reinforced concrete slab floors, stainless steel cladding and double glazed windows. It is serviced by 32 passenger lifts and 2 goods lifts and has floor variable air-conditioning. Column free from the walls to the core, the average slab to slab height is 14 feet, permitting 12 foot ceilings.

Tenancy Schedule:

Tenant Guarantor (Where Applicable)	Floor(s)	NIA Occupied	Expiry	Options To Determine	Rent Review
Canary Wharf Limited	5	7,252 sq ft	Sep-2010	—	Oct-2005 (M) & 5 yearly thereafter (M)
International Grains Council	5	5,671 sq ft	Jun-2016	—	Jul-2001 (M) & 5 yearly thereafter (M)

Tenant <i>Guarantor (Where Applicable)</i>	Floor(s)	NIA Occupied	Expiry	Options To Determine	Rent Review
International Sugar Organisation	5	4,959 sq ft	Jun-2016	—	Jul-2001 (M) & 5 yearly thereafter (M)
Primus Telecommunications Limited	5	8,803 sq ft	Oct-2012	Nov-2007	Nov-2002 (M) & 5 yearly thereafter (M)
<i>Primus Telecommunications Group Incorporated</i>					
CIB Properties limited	6	27,386 sq ft	Dec-2002 ⁽¹⁾	—	—
KPMG	7-9	81,315 sq ft	Dec-2016	Dec-2008	Jan-2002 (M) & 5 yearly thereafter (M)
KPMG	10	27,300 sq ft	Dec-2016	Dec-2004	Jan-2002 (M) & 5 yearly thereafter (M)
The Telegraph Plc	11-16	125,562 sq ft	Mar-2017	—	Apr-2002 (M) & 5 yearly thereafter (M)
The Telegraph Plc	16	11,930 sq ft	Mar-2017	—	Apr-1999 (M) & 5 yearly thereafter (M)
Mirror Group Plc	17-24	222,051 sq ft	Jun-2018	—	Jun-2003 (F) & 5 yearly thereafter ⁽²⁾
Bear Stearns International Limited	25	47,582 sq ft	Sep-2016	Sep-2006	Sep-2001 (M) & 5 yearly thereafter (M)
<i>The Bear Stearns Companies. Inc.</i>	(part), 28				
State Street London Limited	25	14,196 sq ft	Jun-2018	Jul-2008	Aug-2001 (M) & 5 yearly thereafter (M)
<i>State Street Bank and Trust Company</i>	(part), 27 (part)				
State Street London Limited	26-27	43,450 sq ft	Jun-2018	Dec-2002	Jul-2003 (F) & 5 yearly thereafter (M)
<i>State Street Bank and Trust Company</i>					
European Federation of Pharmaceutical Indust Assoc	27 (part)	3,331 sq ft	Aug-2010	Aug-2005	May-2005 (M) & 5 yearly thereafter (M)
Citibank NA	29	12,257 sq ft	Dec-2002	—	—
Regus Management Limited	29	14,445 sq ft	Jun-2010	—	Jul-2005 (M)
<i>Regus Business Centre BV</i>					
Canary Wharf Limited	30	27,517 sq ft	Sep-2010	—	Oct-2005 (M)
Maersk Company Limited	31	28,780 sq ft	May-2017	May-2007	Nov-2004 (M) & 5 yearly thereafter (M) ⁽³⁾
State Street London Limited	32	28,528 sq ft	Jun-2018	Jan-2013	Oct-2002 (M) & 5 yearly thereafter (M)
<i>State Street Bank and Trust Company</i>					
State Street London Limited	33	28,518 sq ft	Jun-2018	May-2013	Dec-2002 (M) & 5 yearly thereafter (M)
<i>State Street Bank and Trust Company</i>					
Agence Du Medicament	34 (Part)	953 sq ft	Nov-2001	—	—
Bank of China International Holdings Ltd	34 (Part)	12,980 sq ft	Aug-2006	Sep-2001	Sep-2001 (M)
Clearstream Banking, Société Anonyme	34 (Part)	561 sq ft	Jun-2007	Dec-2002	Jul-2003 (F*)
Coutts & Company	34 (Part)	2,011 sq ft	Jun-2007	Dec-2002	Jan-2003 (M)
GATX International	34 (Part)	931 sq ft	Sep-2007	Sept-2003	Sep-2003 (M) and 2 yearly thereafter
<i>GATX Capital Corporation</i>					
Novartis Europharm Ltd	34 (Part)	2,009 sq ft	Nov-2004	—	—
<i>Novartis Pharma AG</i>					
Quadrant Capital Limited	34 (Part)	6,463 sq ft	Jun-2007	Jul-2002	Jul-2002 (M)
Euler Holdings (UK) Plc	35-36	56,734 sq ft	Oct-2020	Oct-2010	Oct-2005 (M) & 5 yearly thereafter (M)
Burlington Resources (Energy Services) Inc	37	14,760 sq ft	Oct-2020	Jun-2002	Jun-2002 (M) & 5 yearly thereafter (M)
Burlington Resources (Energy Services) Inc	37	13,947 sq ft	Oct-2020	Oct-2010	Oct-2000 (M) & 5 yearly thereafter (M)
KPMG	38	28,574 sq ft	Dec-2016	—	Jan-2005 (M) & 5 yearly thereafter (M)
Skadden, Arps, Slate, Meagher & Flom Ltd	39 & Storage	29,507 sq ft	Mar-2012	Mar-2002	Mar-2002 (M) & 5 yearly ⁽⁴⁾ thereafter (M)
<i>Skadden, Arps, Slate, Meagher & Flom LLP</i>					
Bank of New York	40-41	56,249 sq ft	Dec-2013	—	Jan-2004 (M) & 5 yearly thereafter (M)
Clearstream Banking, société anonyme	42	28,972 sq ft	May-2013	—	May-2003 (M) & 5 yearly thereafter (M)

Tenant <i>Guarantor (Where Applicable)</i>	Floor(s)	NIA Occupied	Expiry	Options To Determine	Rent Review
Bank of New York	43	29,161 sq ft	Dec-2013	—	Jan-2004 (M) & 5 yearly thereafter (M)
Bear Stearns International Limited	44	29,161 sq ft	Apr-2013	—	Apr-2003 (M) & 5 yearly thereafter (M)
<i>Bear Stearns Companies Inc.</i>					
Bear Stearns International Limited	45-46	58,322 sq ft	Jun-2013	—	Jun-2003 (M) & 5 yearly thereafter (M)
<i>Bear Stearns Companies Inc.</i>					
Bank of New York	47-49	66,816 sq ft	Dec-2013	—	Jan-2004 (M) & 5 yearly thereafter (M)
Morgan Stanley UK Group	50	21,530 sq ft	May-2005	Apr-2002	Mar-2003 (F)
<i>Morgan Stanley Dean Witter</i>					
Total DS7		1,230,474 sq ft			

Rent Reviews — (M) = Open Market Review, Upwards Only; (F) = Fixed Rent Review (Upwardly Stepped Rents); (F*) = Fixed increases in line with RPI

All tenants are on FRI (Full Repairing and Insuring) terms (with common costs being recovered through service charge)

- (1) CIB Properties Limited have the right to determine the lease at any time up to October 2002.
- (2) Rent Reviews at Jun — 2008 and Jun — 2013 are reviewed to 90% and 95% respectively of open market rent.
- (3) The Maersk Company Ltd relocated to One Canada Square (DS7) from 10 Cabot Square (FC2); market rent reviews are restricted such that the tenant pays no more than it would have if it had not relocated to DS7.
- (4) Rent Review in 2002 is subject to a cap.

10 Cabot Square

This 10-storey building was designed by Skidmore, Owings & Merrill and completed in 1991. Only the top two storeys of this building are included in the security created by the Composite Debenture.

The building is constructed round a steel frame and clad with London Stock brick faced pre-cast concrete panels. The common areas are fitted out with patterned marble floors and glass fibre reinforced gypsum walls with wood and glass inlays in the lobby area and atrium. It is serviced by 14 passenger lifts and 2 goods lifts and has floor-variable air-conditioning.

Tenancy Schedule:

Tenant <i>Guarantor (Where Applicable)</i>	Floor(s)	NIA Occupied	Expiry	Options to Determine	Rent Reviews
Ogilvy & Mather Limited	9-10	103,854 sq. ft	Aug-2016	—	Sep-2001 (M) & 5 yearly thereafter (M)
<i>WPP Group PLC</i>					

Note:

Rent Reviews — (M) = Market Review, Upwards Only. Tenant is on FRI (Full Repairing and Insuring) terms (with common costs being recovered through estate service charge)

25 The North Colonnade

This 14-storey building was designed by Troughton McAslan and completed in 1991.

The building is constructed around a steel frame with concrete core metal decks. The exterior curtain walling is structural silicone glazing system, partially screen printed ceramic dots and granite spandrel panels. The ground floor entrance and lobby has granite and glass walls, limestone floors and a painted drywall suspended ceiling. It is serviced by 8 passenger lifts and one goods lift and has floor-variable air-conditioning.

<u>Tenant</u>	<u>Floor(s)</u>	<u>NIA Occupied</u>	<u>Expiry</u>	<u>Options to Determine</u>	<u>Rent Reviews</u>
Financial Services Authority	All	363,218 sq. ft	Nov-2018	Nov-2013	Nov-2003 (M) & yearly thereafter (M)

Notes:

Rent Reviews — (M) = Open Market Review, Upwards Only.

FSA are on FRI (Full Repairing and Insuring) terms (with common costs being recovered through estate service charge)

30 The South Colonnade

This 10-storey building was designed by Kohn Pederson Fox and completed in 1991.

The building is constructed around a steel frame with metal decks and concrete infill. External elevations have natural stone faced prefabricated cladding with a purpose made curtain wall system. The Plaza level and lobby are fitted out with stone walls and floors with a plaster ceiling system. It is serviced by 6 passenger lifts and one goods lift and has floor-variable air-conditioning.

Tenancy Schedule:

<u>Tenant</u>	<u>Floor(s)</u>	<u>NIA Occupied</u>	<u>Expiry</u>	<u>Options to Determine</u>	<u>Rent Reviews</u>
London Underground Ltd	All	282,365 sq. ft	Apr-2019	Apr-2004	Apr-2004 (M) & 5 yearly thereafter (M)

Notes:

Rent Reviews — (M = Open Market Review, Upwards Only. LUL are on FRI (Full Repairing and Insuring) terms (with common costs being recovered through estate service charge).

7 Westferry Circus

This 9-storey building was designed by Skidmore, Owings & Merrill and completed in 1992.

The building is constructed around a steel frame with a prefabricated pre-cast cladding system. The Plaza level entrance and lobby is fitted out with honed marble floors and polished marble walls. It has floor-variable air-conditioning.

Tenant <i>Guarantor (Where Applicable)</i>	Floor(s)	NIA Occupied	Expiry	Options to Determine	Rent Reviews
Electronic Data Systems Limited	1	19,918 sq ft	Dec-2007	—	Jan-2003 (M)
Edward Jones Limited	2	23,524 sq ft	Nov-2007	—	Dec-2002 (M)
<i>The Jones Financial Companies, LLP</i>					
European Agency for Evaluation of Medicinal Product	3 - 5	70,247 sq ft	Dec-2014	—	Jan-2005 (F) & 5 yearly thereafter (M)
Credit Suisse First Boston					
International	6	15,703 sq ft	Sep-2002	Mar-2001	—
European Agency for Evaluation					
of Medicinal Product	7	15,705 sq ft	Dec-2014	—	Jan-2005 (F) & 5 yearly thereafter (M)
Credit Suisse First Boston					
International	8	13,531 sq ft	Dec-2007	—	Jan-2003 (M)
European Agency for Evaluation of Medicinal Product	storage	1,714 sq ft	Dec-2009	—	Jan-2005 (F*)
European Agency for Evaluation of Medicinal Product	storage	829 sq ft	Dec-2000	—	—
Unlet Space	Basement	2,099 sq ft	—	—	—
Total B2		<u>163,270 sq ft</u>			

Notes:

Rent Reviews — (M) = Open Market Review, Upwards Only; (F) = Fixed Rent Review (Upwardly Stepped Rents); (F*) = Fixed increases in line with RPI

All tenants are on FRI (Full Repairing and Insuring) terms (with common costs being recovered through service charge)

Property Reorganisation

After the Initial Closing Date, the freehold of One Canada Square (The Tower) was transferred by CWE SPVa Limited to CWC SPVa Limited for a consideration derived on the basis of an open market valuation.

After the Initial Closing Date, the top overriding lease of One Canada Square (The Tower) dated 22 December 1995 and made between Canary Wharf Investments Limited (1) Canary Wharf Limited (2) CWC SPVa Limited (3) and Canary Wharf Management Limited (4) which remains vested in CWC SPVa Limited was merged into the freehold following the transfer. There was no consideration paid for the merger.

Concentration of Leased Areas

The following tables summarize certain concentrations in respect of the Mortgaged Properties as set out in the headings of each table

Table 1: Concentration of Leases by Area

<u>Industry</u>	<u>% of Total Securitised Area</u>
FSA.....	17.0%
Newspaper	16.8%
Transport.....	14.5%
Banking	26.5%
Accountants	6.4%
Advertising	4.9%
Supranational	4.8%
Insurance	2.6%
Legal.....	1.4%
Other.....	5.1%

**Table 2: Analysis of Lease Expiration
(Break Clause not Exercised)**

<u>Year Range</u>	<u>Proportion of Total Current Leased Area with Leases Expiring in the Given Year Range</u>
1-5.....	3.7%
6-10.....	3.8%
11-15.....	20.9%
16-20.....	67.6%
21-25.....	4.0%

**Table 3: Analysis of Lease Expiration
(Break Clause Exercised)⁽¹⁾**

<u>Year Range</u>	<u>Proportion of Total Current Leased Area with Leases Expiring in the Given Year Range</u>
1-5.....	23.3%
6-10.....	11.4%
11-15.....	41.8%
16-20.....	23.5%
21-25.....	00%

Note:

(1) For leases which have more than one break clause it is assumed that the break clause is exercised at the first available opportunity.

Table 4: Concentration of Lease Size (000's ft⁽²⁾)

<u>'000 ft⁽²⁾</u>	<u>% of Leased within Size</u>
under 10	4.0%
10 to under 50	42.0%
50 to under 75	2.7%
75 to under 125	8.7%
125 to under 200	12.4%
200+	30.2%

TERMS AND CONDITIONS OF THE NEW NOTES

The following are the Terms and Conditions (the “Conditions” and any reference to a “Condition” shall be construed accordingly) of the New Notes in the form (subject to amendment) in which they will be set out in the First Supplemental Trust Deed.

The £105,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027 (the “**New Class A Notes**”) of Canary Wharf Finance plc (the “**Issuer**”) and the £15,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027 of the Issuer (the “**New Class B Notes**” and, together with the New Class A Notes, the “**New Notes**”), which will be consolidated and form a single series with the £270,000,000 Class A 7.23 per cent. First Mortgage Debentures due 2027 of the Issuer, issued on 4th December, 1997 (the “**Initial Closing Date**”) (the “**Existing Class A Notes**”) and the £80,000,000 Class B 7.425 per cent. First Mortgage Debentures due 2027 of the Issuer, issued on the Initial Closing Date (the “**Existing Class B Notes**”), respectively with effect from and including 2 April, 2001, are constituted by a first supplemental trust deed dated 21 February, 2001 (the “**First Supplemental Trust Deed**”) made between the Issuer and Bankers Trustee Company Limited (the “**Trustee**”, which expression includes its successor or any further or other trustee under the Trust Deed (as defined below)) as trustee for the holders for the time being of the Notes (as defined below) and the holders for the time being of the Coupons (as defined below) (the “**Couponholders**”). The First Supplemental Trust Deed is supplemental to a trust deed (the “**Original Trust Deed**” and, together with the First Supplemental Trust Deed, the “**Trust Deed**”, which expression shall include 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) dated the Initial Closing Date and made between the Issuer and the Trustee and pursuant to which the Existing Class A Notes, the Existing Class B Notes, the £120,000,000 Class C 5 per cent. Stepped Coupon First Mortgage Debentures due 2027 (the “**Class C Notes**”) and the £85,000,000 Class D Floating Rate First Mortgage Debentures due 2020 (the “**Class D Notes**” and, together with the Existing Class A Notes, the Existing Class B Notes and the Class C Notes, the “**Original Notes**”) were constituted. The Original Notes and the New Notes are herein together referred to as the “**Notes**”. The New Class A Notes and the Existing Class A Notes are herein together referred to as the “**Class A Notes**” and the New Class B Notes and the Existing Class B Notes are herein referred to as the “**Class B Notes**”. The Class A Notes, the Class B Notes and the Class C Notes are together herein referred to as the “**Fixed Rate Notes**” except where the context otherwise requires. Any reference to a “**class**” of Notes or of Noteholders (as defined below) shall be a reference to any, or all of, the Existing Class A Notes, the Existing Class B Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the New Class A Notes or the New Class B Notes or any, or all of, their respective holders as the case may be. The security for the Notes is created and will be created pursuant to, and on terms set out in, a deed of charge and assignment (the “**Original Issuer Deed of Charge**”, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Initial Closing Date and made between, *inter alios*, the Issuer and the Trustee as supplemented by a supplemental deed of charge dated the Further Closing Date (the “**Supplemental Issuer Deed of Charge**” and, together with the Original Issuer Deed of Charge, the “**Issuer Deed of Charge**”) between, *inter alios*, the Issuer and the Trustee. By an agency agreement dated the Initial Closing Date, as supplemented by a first supplemental agency agreement dated the Further Closing Date between the same parties, (the “**Agency Agreement**”, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer, the Trustee, Deutsche Bank AG London, as principal paying agent (the “**Principal Paying Agent**”), and, in a separate capacity under the same agreement, as agent bank (the “**Agent Bank**”, which expression shall include any other agent bank 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, together, the “**Paying Agents**”), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes of each class. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Issuer Deed of Charge. Copies of the Trust Deed, the Agency Agreement and the Issuer Deed of Charge are available for inspection by the Noteholders at the principal office for the time being of the Trustee, being at the date hereof at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified offices of the Paying Agents. The

Noteholders and the Couponholders 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 Issuer Deed of Charge and the Restated Master Definitions Agreement and the documents referred to in each of them, and are deemed to have notice of all the provisions of the Agency Agreement.

The issue of the New Notes was authorised by resolution of the board of directors of the Issuer passed on 19th February, 2001.

1. Form, Denomination and Title

(a) Each class of New Notes (subject to *pro rata* redemption as hereinafter provided) is initially represented by a temporary global note (each a **"Temporary Global Note"**), without Coupons (as defined below), in the principal amount of £105,000,000 for the New Class A Notes and £15,000,000 for the New Class B Notes. Each Temporary Global Note was deposited on behalf of the subscribers of each class of New Notes with a common depositary (the **"Common Depositary"**) for Clearstream Banking, société anonyme (**"Clearstream, Luxembourg"**) and Euroclear Bank S.A./N.V. as operator of the Euroclear System (**"Euroclear"**) on 21 February, 2001 (the **"Further Closing Date"**). Upon deposit of the Temporary Global Notes, Clearstream, Luxembourg or Euroclear credited each subscriber of New Notes with the principal amount of New Notes of the relevant class equal to the principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Note are exchangeable 40 days after the Further Closing Date (the **"Exchange Date"**), provided certification of non-US beneficial ownership by the relevant Noteholders has been received, for interests in a permanent global note (each a **"Permanent Global Note"**) (which will also be deposited with the Common Depositary) representing the same class of Notes, without Coupons (the expression **"Global Notes"** and **"Global Note"** meaning, respectively, (i) all of the Temporary Global Notes and the Permanent Global Notes or the Temporary Global Note and the Permanent Global Note of a particular class, or (ii) any of the Temporary Global Notes or Permanent Global Notes, as the context may require). On the exchange of the Temporary Global Note for the Permanent Global Note of the relevant class, that Permanent Global Note will remain deposited with the Common Depositary. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes (as defined below) in certain limited circumstances described below.

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

(b) If, after the Exchange Date (i) the Notes become due and repayable pursuant to Condition 9(a), (b), (c) or (d), as the case may be, or (ii) either Clearstream, Luxembourg or Euroclear 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 (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 or administration of such laws or regulations which became effective on or after 20th November 1997, the Issuer or any Paying Agent is required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will issue Notes in definitive form (**"Definitive Notes"**) in exchange for the whole outstanding interest in the Permanent Global Note of each class within 30 days of the occurrence of the relevant event.

(c) Definitive Notes of each class (which, if issued, will be in the denomination of £5,000 each), will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons (**"Interest Coupons"**) and principal coupons (**"Principal Coupons"**) (severally or together **"Coupons"**, which expression includes the talons referred to below, except where the context otherwise requires) and one talon for further Coupons attached. Title to the Definitive Notes and Coupons shall pass by delivery.

(d) The holder of any Definitive Note and the holder of any Coupon may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Definitive Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.

(e) "Noteholders" means (i) in relation to any Notes represented by a Global Note, each person who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular Principal Amount Outstanding (as defined in Condition 5(d)) of such Notes (other than Clearstream, Luxembourg or Euroclear), in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Notes standing to the account of any person shall be conclusive and binding for all purposes, and such person shall be treated by the Issuer and the Trustee as the holder of such Principal Amount Outstanding of such Notes for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and for which purpose "Noteholders" means the bearer of the relevant Global Note; and (ii) in relation to any Definitive Notes issued under paragraph (b) above, the bearers of those Definitive Notes; and related expressions shall be construed accordingly.

(f) References to "Notes" shall include the Global Notes and the Definitive Notes.

2. Status, Security and Priority

2.(A) Status and relationship between the Notes

(a) The Class A Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other Notes. The Class A Notes rank *pari passu* without preference or priority amongst themselves.

(b) The Class B Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other Notes. The Class B Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes will rank in priority to the Class B Notes in the event of the Issuer Security (as defined below) being enforced. Prior to enforcement of the Issuer Security, payments of principal and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes as provided herein. The rights of the Class B Notes in respect of priority of payment of interest and principal are set out in Conditions 2(B), 4 and 5.

(c) The Class C Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other Notes. The Class C Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes and the Class B Notes will rank in priority to the Class C Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security payments of principal and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes and Class B Notes as provided herein. The rights of the Class C Notes in respect of priority of payment of interest and principal are set out in Conditions 2(B), 4 and 5.

(d) The Class D Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other Notes. The Class D Notes (other than Subordinated Class D Coupon Amounts (as defined in Condition 4(d))) rank *pari passu* without preference or priority amongst themselves but the Class A Notes, the Class B Notes and the Class C Notes will rank in priority to the Class D Notes in the event of the Issuer Security being enforced. Prior to enforcement of the Issuer Security payments of principal and interest on the Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, Class B Notes and Class C Notes as provided herein. The rights of the Class D Notes in respect of priority of payment of interest and principal are set out in Conditions 2(B), 4 and 5.

(e) The Trust Deed and the Issuer Deed of Charge each contain provisions requiring the Trustee to have regard to the interests of the holders of Class A Notes, Class B Notes, Class C Notes and Class D Notes, as regards all powers, trusts, authorities, duties and discretions of the Trustee, respectively (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to:

- (i) (for so long as there are any Class A Notes outstanding (as that term is defined in the Trust Deed)) the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of:

(A) the Class A Noteholders; and

- (B) the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders; or
- (ii) (if there are no Class A Notes outstanding) the interests of the holders of Class B Notes if, in the Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class B Noteholders; and
 - (B) the Class C Noteholders and/or the Class D Noteholders; or
- (iii) (if there are no Class B Notes outstanding) the interests of the holders of Class C Notes if, in the Trustee's opinion, there is a conflict between the interests of:
 - (A) the Class C Noteholders; and
 - (B) the Class D Noteholders.

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

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

2.(B) *Security*

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

- (i) an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under an intercompany loan agreement (the "**Original Intercompany Loan Agreement**") made on the Initial Closing Date between, *inter alios*, CW Lending Limited (the "**Borrower**"), the Trustee and the Issuer as amended and restated by a restated intercompany loan agreement made on the Further Closing Date between the same parties, which together with the Original Intercompany Loan Agreement is referred to as the "**Restated Intercompany Loan Agreement**";
- (ii) a charge or, as applicable, an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under a composite debenture (the "**Composite Debenture**"), made on the Initial Closing Date between, *inter alios*, the Issuer, the Trustee and the Borrower and a charging agreement (the "**Finance Lessor Charge**") made on the Initial Closing Date between the Issuer, the Trustee and Mercantile Leasing Company (No. 165) Limited, Robert Fleming Overseas (Number 2) Limited and Indural Holdings Limited (together, the "**Finance Lessors**" and each a "**Finance Lessor**");
- (iii) an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the other Relevant Documents (as defined in the Restated Master Definitions Agreement);
- (iv) an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in and to all amounts in each of the Issuer's Transaction Account, the First Loss Fund Account and the Defeasance Account (each as defined in the Restated Master Definitions Agreement)

and any replacement for such accounts or other bank account of the Issuer from time to time and amounts deposited from time to time therein (together, the **"Issuer's Accounts"**);

- (v) a first fixed charge over certain investments (the **"Eligible Investments"**) permitted to be made by the Issuer pursuant to an amended and restated cash management agreement (the **"Restated Cash Management Agreement"**) made on the Further Closing Date between, *inter alia*, the Issuer, the Trustee, Canary Wharf Limited (the **"Cash Manager"**) and the Borrower (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (vi) a first floating charge (ranking behind the claims of certain preferential and other creditors) over all of the property, assets and undertakings of the Issuer not subject to fixed security, all as more particularly set out in the Issuer Deed of Charge.

On enforcement of the Issuer Security and acceleration of the Restated Intercompany Loan Agreement, the Trustee is required to apply monies available for distribution in or towards the satisfaction of the following amounts in the following order of priority:

- (a) first, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of (i) the fees or other remuneration then payable to the Trustee, inclusive of value added tax (**"VAT"**) (if applicable), and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by the Trustee under or in connection with the Trust Deed, the Notes and the Issuer Deed of Charge, together with interest thereon as provided in the Trust Deed, and (ii) the fees or other remuneration then payable to any receiver appointed in respect of the Issuer inclusive of VAT (if applicable) and any costs, charges, liabilities and expenses (together with VAT thereon, if applicable) then incurred by such receiver under or in connection with the Issuer Deed of Charge, together with interest thereon as provided in the Trust Deed;
- (b) secondly, to the Paying Agents in respect of amounts properly paid by such persons to the Noteholders and not reimbursed by the Issuer;
- (c) thirdly, in or towards payment of principal and/or interest due or overdue to Barclays Bank PLC and together with any additional or substitute banks providing a facility under the Restated Liquidity Facility Agreement (the **"Liquidity Facility Provider"**) under an amended and restated liquidity facility agreement (the **"Restated Liquidity Facility Agreement"**) made on the Further Closing Date between the Issuer, the Trustee and the Liquidity Facility Provider (other than Subordinated Liquidity Facility Amounts (as defined below));
- (d) fourthly, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue in respect of the Class A Notes and (ii) all amounts of principal due or overdue in respect of the Class A Notes and any other amounts due or overdue in respect of the Class A Notes;
- (e) fifthly, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue in respect of the Class B Notes and (ii) all amounts of principal due or overdue in respect of the Class B Notes and any other amounts due or overdue in respect of the Class B Notes;
- (f) sixthly, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue in respect of the Class C Notes and (ii) all amounts of principal due or overdue in respect of the Class C Notes and any other amounts due or overdue in respect of the Class C Notes;
- (g) seventhly, in or towards payment of amounts, if any, due or overdue to the Cap Provider under the Cap Agreement (other than Subordinated Cap Payments (as defined below));
- (h) eighthly, in or towards payment, *pro rata* according to the respective amounts thereof, of (i) all amounts of interest due or overdue (other than Subordinated Class D Coupon Amounts) in respect of the Class D Notes and (ii) all amounts of principal due or overdue in respect of the Class D Notes and

any other amounts due or overdue (other than Subordinated Class D Coupon Amounts) in respect of the Class D Notes;

- (i) ninthly, in or towards payment of Subordinated Class D Coupon Amounts;
- (j) tenthly, in or towards payment of all amounts due or overdue to the Cash Manager;
- (k) eleventhly, in or towards payment, *pro rata* according to the respective amounts thereof, to (a) the Cap Provider in or towards payment of any amounts due or overdue under the Cap Agreement in respect of the Issuer's obligations to refund to the Cap Provider any additional amounts paid by the Cap Provider to the Issuer (in accordance with the Cap Agreement) following a withholding or deduction for or on account of tax on any payment made by the Cap Provider to the Issuer ("**Subordinated Cap Payments**") and (b) the Liquidity Facility Provider in respect of the aggregate of amounts by which (i) the amount of interest accruing at the Additional Percentage (as defined in the Restated Master Definitions Agreement) exceeds 0.125 per cent. per annum of the principal amount outstanding under the Restated Liquidity Facility Agreement, (ii) commitment fees payable in respect of the Restated Liquidity Facility Agreement exceed 0.25 per cent. per annum of the then undrawn, uncanceled amount of the Liquidity Facility and (iii) any amounts payable by the Issuer to the Liquidity Facility Provider in respect of its obligation to gross-up any payments made by it under the Restated Liquidity Facility Agreement by reason of any withholding or deduction for or on account of any tax (together, the "**Subordinated Liquidity Facility Amounts**");
- (l) twelfthly, in or towards payment of any amounts due or accrued due under the Borrower Loan; and
- (m) thirteenthly, the surplus (if any) to the Issuer or other persons entitled thereto.

The Issuer Security will become enforceable upon the Trustee giving a Note Enforcement Notice (as defined in Condition 9) to the Issuer provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Deed of Charge and/or the Restated Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the 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 relevant 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 Issuer Deed of Charge and/or Restated Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes or (iii) the Trustee considers, in its discretion, that not to effect such disposal would place the Issuer Security in jeopardy. In respect of all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), the Trustee will be obliged to consider the interests of the Noteholders and (save as specified below) so long as any of the Notes are outstanding, the Trustee shall, as regards all powers, trusts, duties and discretions of the Trustee (except where expressly provided otherwise), have no regard to the interests of, and will be relieved of all duties and liabilities to, the persons entitled to the benefit of the Issuer Security (other than the Noteholders).

3. Covenants

(i) Restrictions

Save with the prior written consent of the Trustee, the Issuer shall not, so long as any Note remains outstanding, or unless otherwise provided in or envisaged by these Conditions or the Relevant Documents:

(a) *Negative Pledge*

create or permit to subsist any mortgage, sub-mortgage, 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) or sell or otherwise dispose of the whole or any part of its assets (including any uncalled capital) or its undertaking, present or future, or the Issuer Security;

(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 Relevant Documents provide or envisage that the Issuer will engage in;
- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) other than the Borrower or any employees or premises; or
- (iii) amend, supplement or otherwise modify its Memorandum and Articles of Association,

(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, estate, right, title or benefit therein;

(d) Dividends or Distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Issuer Deed of Charge;

(e) Borrowings

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

(f) Merger

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

(g) Other

permit the validity or effectiveness of any of the Relevant Documents, or the priority of the security interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise, any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions, the Issuer Deed of Charge or any of the other Relevant Documents, or permit any party to any of the Relevant Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations, or dispose of any part of the Issuer Security, save as envisaged in the Relevant Documents;

(h) VAT

apply to become part of any group for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994, unless required to do so by law;

(i) Bank accounts

have an interest in any bank account other than the Issuer's Accounts, unless such account or interest therein is charged to the Trustee on terms acceptable to it; or

(j) *Surrender of group relief*

offer or consent to surrender to any company any amounts which are available for surrender by way of surrender of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Relevant Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that such modifications or additions do not cause any downgrade in the then current ratings of any class of the Notes (assigned by the Rating Agencies (as defined in Condition 14)).

(ii) *Cash Manager*

So long as any of the Notes remains 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 Issuer's Accounts and the Rental Receipts Account, the Fitting Out Account, the Cash Collateral Account and the Interest Shortfall Account (each as defined in the Restated Master Definitions Agreement) of the Borrower (together the "**Borrower's Accounts**") and any other account of the Issuer or the Borrower from time to time. Any appointment of a cash manager (other than the Cash Manager) is subject to the prior written approval of the Trustee. The Cash Manager will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee. The appointment of the Cash Manager may be terminated by the Trustee if, *inter alia*, and subject to any grace period applicable thereto, the Cash Manager defaults in any material respect in the observance and performance of any obligation imposed on it under the Restated Cash Management Agreement which default is not remedied within 30 Business Days (as defined for this purpose in the Restated Cash Management Agreement) after written notice of such default shall have been served on it by the Issuer or the Trustee.

4. *Interest*

(a) *Period of Accrual*

The New Notes bear interest on their Principal Amount Outstanding from (and including) 22nd January, 2001. Each New Note (or in the case of the redemption of part only of a New Note, that part only of such New Note) shall 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 (as well after as before any judgment) at the rate applicable to such New Note up to (but excluding) the date on which, on presentation of such New Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 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.

Whenever it is necessary to compute an amount of interest in respect of (i) the Class D Notes for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed and a 365 day year, or a 366 day year if the last day of such period falls in a leap year; and (ii) any Fixed Rate Note for any period (other than an Interest Period) such interest shall be calculated on the basis of a 360-day year consisting of 12 30-day months and, in the case of an incomplete month, the number of days elapsed on the basis of a 30 day month.

(b) *Interest Payment Dates and Interest Periods*

Interest on the Notes is payable quarterly in arrear on 22nd January, 22nd April, 22nd July and 22nd 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 (as defined below) ending immediately prior thereto.

In these Conditions, "**Interest Period**" shall mean:

- (i) in the case of the Class D Notes, the period from (and including) an Interest Payment Date (or, in respect of the payment of the first Interest Amount (as defined in Condition 4(e) below), the Initial Closing Date) to (but excluding) the next following Interest Payment Date (or, in respect of the payment of the first Interest Amount, the Interest Payment Date falling in January 1998);
- (ii) in the case of the Original Fixed Rate Notes, the period from (and including) the Initial Closing Date to (but excluding) 22nd January, 1998, in the case of the New Notes, the period from (and including) 22nd January, 2001 to (but excluding) 22nd April, 2001 and (in the case of all Fixed Rate Notes), thereafter, the period from (and including) 22nd January, 22nd April, 22nd July and 22nd October in each year to (but excluding) the following 22nd April, 22nd July, 22nd October and 22nd January, respectively;

and "**business day**" shall in these Conditions mean a day (other than a Saturday or a Sunday or a Jewish Holy Day listed in the Schedule to these Conditions) on which banks are open for business in the City of London.

(c) Rate of Interest — Fixed Rate Notes

Each Fixed Rate Note bears interest on its Principal Amount Outstanding (as defined below) at the rate of 7.23 per cent. per annum for the Class A Notes (the "**Class A Interest Rate**"), 7.425 per cent. per annum for the Class B Notes (the "**Class B Interest Rate**") and 5 per cent. per annum for the Class C Notes for the period from the Initial Closing Date up to (and including) the Interest Payment Date falling in October 1999, 6.25 per cent. per annum from (but excluding) the Interest Payment Date falling in October 1999 up to (and including) the Interest Payment Date falling in October 2001, 7.75 per cent. per annum from (but excluding) the Interest Payment Date falling in October 2001 up to (and including) the Interest Payment Date falling in October 2006, and thereafter 9.535 per cent. per annum (the "**Class C Interest Rate**" and, together with the Class A Interest Rate and the Class B Interest Rate, the "**Fixed Interest Rates**") each payable in respect of each Interest Period in arrear on each Interest Payment Date.

(d) Rate of Interest — Class D Notes

The rates of interest payable from time to time in respect of the Class D Notes (each a "**Rate of Interest**") will be determined by the Agent Bank on the second business day (for this purpose only being a day other than a Saturday or Sunday on which banks are open for business in London) preceding each Interest Payment Date or, in the case of first Interest Period, the Initial Closing Date (each such second business day being an "**Interest Determination Date**").

The Rate of Interest for the Interest Period beginning on the relevant Interest Payment Date shall be the aggregate of:

- (i) the Relevant Margin; and
- (ii) (1) the arithmetic mean of the offered quotation to leading banks (rounded to four decimal places with the mid-point rounded up) for three month (or, in the case of the first Interest Period, a linear interpolation of one and two month) sterling deposits in the London inter-bank market which appear on Telerate Screen Page No. 3750 (the "**Screen Rate**") (rounded to four 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 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 for three month sterling deposits (or, in the case of the first Interest Period, for calculating the interpolated rate thereon), the arithmetic mean (rounded to four 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(i) 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 that 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 shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provide the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing 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 Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank or banks as so agreed at 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 shall be the 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"** in respect of the Class D Notes shall be:

- (i) for the period from (and including) the Initial Closing Date up to (but excluding) the Interest Payment Date falling in January 2003, 1.10 per cent. per annum; and
- (ii) thereafter, 3.10 per cent. per annum, the difference between the amount of interest accruing at the Relevant Margin in this sub-paragraph (ii) and the amount of interest accruing at the Relevant Margin in sub-paragraph (i) (above) being the **"Subordinated Class D Coupon Amount"**.

There will be no minimum or maximum Rate of Interest.

(e) Determination of Rates of Interest and Calculation of Interest Amounts for Class D Notes and Fixed Rate Notes

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date, determine and notify the Issuer, the Trustee, the Cash Manager and the Paying Agents of (i) the Rate of Interest applicable to the Interest Period beginning on and including the Interest Payment Date immediately succeeding such Interest Determination Date in respect of the Class D Notes and (ii) the sterling amount (the **"Interest Amount"**) payable in respect of such Interest Period in respect of the Class D Notes and of each class of the Fixed Rate Notes. The Interest Amount in respect of Class D Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Class D Notes, multiplying such sum by the actual number of days in the Interest Period divided by 365 (or 366, if the last day of the Interest Period falls in a leap year) and rounding the resultant figure downward to the nearest penny. The Interest Amount in respect of each class of the Fixed Rate Notes shall be calculated by applying the relevant Fixed Interest Rate to the then Principal Amount Outstanding of the relevant Fixed Rate Note and dividing the resultant figure by four.

(f) Publication of Rate of Interest, Interest Amounts and other Notices

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to each class of the Notes for each Interest Period and the immediately succeeding Interest Payment Date to be notified to the London Stock Exchange Limited (the **"London Stock Exchange"**) (for so long as the Notes are listed on the Official List and traded on the London Stock Exchange) and will cause notice thereof to be given 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.

(g) Determination or Calculation by the 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 the Class D Notes in accordance with the foregoing Conditions, the Trustee shall (i) determine the Rate of Interest for the Class D Notes 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 the Notes in the manner specified in Condition 4(e) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) 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 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 Trustee, the Cash Manager, all Noteholders and Couponholders and (in such absence as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(i) Reference Banks and Agent Bank — Class D Notes

The Issuer shall ensure that, so long as any of the Class D Notes remains outstanding, there shall, at all times, be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank Plc, Lloyds Bank Plc and The Royal Bank of Scotland plc (the “**Reference Banks**”). 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 Trustee to act as such in its place. The Agent Bank may not resign until a successor so approved by the Trustee has been appointed.

5. Redemption, Purchase and Cancellation

(a) Final Redemption

Unless previously redeemed or purchased and cancelled in full as provided in this Condition, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in October, 2027 in relation to the Fixed Rate Notes or October, 2020 in relation to the Class D Notes.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in Condition 5(b), (c) or (e) of this Condition but without prejudice to Condition 9.

(b) Mandatory Redemption from Scheduled Principal Payments and Mandatory Prepayment of the Intercompany Loan

(i) Prior to the service of a Note Enforcement Notice (as defined in Condition 9) following an Event of Default in respect of the relevant class of Notes, the Issuer shall (subject to Condition 5(c) and (e)) apply in redemption of the Notes (except in respect of Notes cancelled pursuant to Condition 5(h)) an aggregate amount equal to the Scheduled Principal Payment due under the Restated Intercompany Loan Agreement less, in the case of the Class B Notes and the Class C Notes, any amounts of the Scheduled Principal Payment required to be deposited in the Defeasance Account of the Issuer. The Scheduled Principal Payment less the amounts to be placed in the Defeasance Account as aforesaid will be applied on each relevant Interest Payment Date in the redemption of the Notes in the aggregate principal amounts specified for each class of Notes (each an “**Amortisation Amount**”) set out opposite each Interest Payment Date below on such date. The figures set out below show the Amortisation Amount per £5,000 denomination of each Note of each class. In these Conditions,

the term "Amortisation Amount" shall mean the Amortisation Amount as adjusted or recalculated pursuant to the last paragraph of Condition 5(c).

<u>Interest Payment Date</u>	<u>Class A Note Amortisation Amount</u>	<u>Class B Note Amortisation Amount</u>	<u>Class C Note Amortisation Amount</u>	<u>Class D Note Amortisation Amount</u>
January 1998	0.00	0.00	0.00	0.00
April 1998	0.00	0.00	0.00	0.00
July 1998	0.00	0.00	0.00	0.00
October 1998	0.00	0.00	0.00	0.00
January 1999	0.00	0.00	0.00	0.00
April 1999	0.00	0.00	0.00	0.00
July 1999	0.00	0.00	0.00	0.00
October 1999	0.00	0.00	0.00	0.00
January 2000	0.00	0.00	0.00	0.00
April 2000	0.00	0.00	0.00	0.00
July 2000	0.00	0.00	0.00	0.00
October 2000	0.00	0.00	0.00	0.00
January 2001	0.00	0.00	0.00	0.00
April 2001	0.00	0.00	0.00	0.00
July 2001	0.00	0.00	0.00	0.00
October 2001	0.00	0.00	0.00	0.00
January 2002	0.00	0.00	0.00	0.00
April 2002	0.00	0.00	0.00	0.00
July 2002	0.00	0.00	0.00	0.00
October 2002	0.00	0.00	0.00	0.00
January 2003	0.00	0.00	0.00	0.00
April 2003	0.00	0.00	0.00	0.00
July 2003	0.00	0.00	0.00	0.00
October 2003	0.00	0.00	0.00	0.00
January 2004	111.11	42.67	0.00	0.00
April 2004	111.11	42.67	0.00	0.00
July 2004	111.11	42.67	0.00	0.00
October 2004	111.11	42.67	0.00	0.00
January 2005	111.11	42.67	0.00	0.00
April 2005	111.11	42.67	0.00	0.00
July 2005	111.11	42.67	0.00	0.00
October 2005	52.09	42.67	0.00	0.00
January 2006	52.09	42.67	0.00	0.00
April 2006	52.09	42.67	0.00	0.00
July 2006	52.09	42.67	0.00	0.00
October 2006	52.09	42.67	29.50	0.00
January 2007	52.09	42.67	29.67	100.00
April 2007	52.09	42.67	29.85	100.00
July 2007	52.09	42.67	30.04	100.00
October 2007	52.09	42.67	30.22	100.00
January 2008	52.09	42.67	30.41	100.00
April 2008	52.09	42.67	30.61	100.00
July 2008	52.09	42.67	30.80	100.00
October 2008	52.09	42.67	31.00	100.00
January 2009	52.09	42.67	31.21	100.00
April 2009	52.09	42.67	31.42	100.00
July 2009	52.09	42.67	31.63	100.00

<i>Interest Payment Date</i>	<i>Class A Note Amortisation Amount</i>	<i>Class B Note Amortisation Amount</i>	<i>Class C Note Amortisation Amount</i>	<i>Class D Note Amortisation Amount</i>
October 2009	52.09	42.67	31.85	100.00
January 2010	52.09	42.67	32.07	100.00
April 2010	52.09	42.67	32.30	100.00
July 2010	52.09	42.67	32.53	100.00
October 2010	52.09	42.67	32.76	100.00
January 2011	52.09	42.67	33.01	100.00
April 2011	52.09	42.67	33.25	100.00
July 2011	52.09	42.67	33.51	100.00
October 2011	52.09	42.67	33.76	100.00
January 2012	52.09	42.67	34.03	100.00
April 2012	52.09	42.67	34.30	100.00
July 2012	52.09	42.67	34.58	100.00
October 2012	52.09	42.67	34.86	100.00
January 2013	52.09	42.67	35.15	100.00
April 2013	52.09	42.67	35.45	100.00
July 2013	52.09	42.67	35.76	100.00
October 2013	52.09	42.67	36.08	100.00
January 2014	52.09	42.67	36.40	100.00
April 2014	52.09	42.67	36.73	100.00
July 2014	52.09	42.67	37.07	100.00
October 2014	52.09	42.67	37.42	100.00
January 2015	52.09	42.67	37.79	100.00
April 2015	52.09	42.67	38.16	100.00
July 2015	52.09	42.67	38.54	100.00
October 2015	52.09	42.67	38.94	100.00
January 2016	52.09	42.67	39.35	100.00
April 2016	52.09	42.67	39.77	100.00
July 2016	52.09	42.67	40.20	100.00
October 2016	52.09	42.67	40.65	100.00
January 2017	52.09	42.67	41.11	100.00
April 2017	52.09	42.67	41.60	100.00
July 2017	52.09	42.67	42.09	100.00
October 2017	52.09	42.67	42.61	100.00
January 2018	52.09	42.67	43.15	100.00
April 2018	52.09	42.67	43.70	100.00
July 2018	52.09	42.67	44.28	100.00
October 2018	52.09	42.67	44.88	100.00
January 2019	52.09	42.67	45.51	100.00
April 2019	52.09	42.67	46.17	100.00
July 2019	52.09	42.67	46.85	0.00
October 2019	52.09	42.67	47.57	0.00
January 2020	52.09	42.67	48.32	0.00
April 2020	52.09	42.67	49.10	0.00
July 2020	52.09	42.67	49.93	0.00
October 2020	52.09	42.67	50.80	0.00
January 2021	52.09	42.67	51.71	0.00
April 2021	52.09	42.67	52.68	0.00
July 2021	52.09	42.67	53.70	0.00
October 2021	52.09	42.67	54.79	0.00
January 2022	52.09	42.67	55.94	0.00

<i>Interest Payment Date</i>	<i>Class A Note Amortisation Amount</i>	<i>Class B Note Amortisation Amount</i>	<i>Class C Note Amortisation Amount</i>	<i>Class D Note Amortisation Amount</i>
April 2022	52.09	42.67	57.17	0.00
July 2022	52.09	42.67	58.48	0.00
October 2022	52.09	42.67	59.89	0.00
January 2023	37.04	42.67	61.41	0.00
April 2023	37.04	42.67	63.05	0.00
July 2023	37.04	42.67	64.83	0.00
October 2023	37.04	42.67	66.76	0.00
January 2024	37.04	42.67	68.88	0.00
April 2024	37.04	42.67	71.22	0.00
July 2024	37.04	42.67	73.81	0.00
October 2024	37.04	42.67	76.71	0.00
January 2025	37.04	42.67	79.98	0.00
April 2025	37.04	42.67	83.71	0.00
July 2025	27.78	53.33	88.01	0.00
October 2025	27.78	53.33	93.05	0.00
January 2026	27.78	53.33	99.07	0.00
April 2026	27.78	53.33	83.33	0.00
July 2026	27.78	53.33	83.33	0.00
October 2026	27.78	53.33	83.33	0.00
January 2027	27.78	53.33	83.33	0.00
April 2027	27.78	53.33	83.33	0.00
July 2027	27.78	53.33	83.33	0.00
October 2027	7.60	850.41	934.87	0.00

For the purposes of the foregoing, “**Scheduled Principal Payment**” means the amount of principal payable to the Issuer pursuant to Clause 6.1(a) of the Restated Intercompany Loan Agreement.

(ii) If, on any Interest Payment Date, there are moneys received by the Issuer from the Borrower subsequent to the service of an Intercompany Loan Enforcement Notice (as defined in the Restated Intercompany Loan Agreement) pursuant to the terms of the Composite Debenture such moneys shall be applied by the Issuer in accordance with provisions regulating the priority of application of payments in such circumstances and which are set out in the Restated Cash Management Agreement, including, without limitation, all amounts then due to be paid in redemption of the Notes pursuant to Condition 5(b)(i) on such Interest Payment Date together with any applicable redemption premium payable pursuant to Condition 5(c).

(iii) To the extent that the proceeds of a mandatory prepayment of part of the Intercompany Loan to the Issuer arise from a receipt by the Borrower of an insurance payment for total loss of an entirely vacant Mortgaged Property (as defined in the Composite Debenture), the Issuer shall be obliged to redeem all or part of a class or classes of Notes (the choice of such class or classes being at the option of the Issuer subject to confirmation that such choice will not adversely affect the then current ratings assigned by the Rating Agencies in respect of the Notes). The provisions of Condition 5(c) shall apply to any such mandatory redemption save that the amount payable to Fixed Rate Noteholders shall be the amount set out in Condition 5(c)(ii)(1) (in the case of the Class A Notes and the Class B Notes) and Condition 5(c)(ii)(2) (in the case of Class C Notes) below only, together with accrued interest up to and including the date of payment.

(c) Optional redemption

On giving not more than 60 nor less than 30 days’ notice to the Trustee and to the Noteholders in accordance with Condition 14 and provided that, on the Interest Payment Date on which such notice expires, no Note Enforcement Notice in relation to the relevant class of Notes has been served following an Event of Default, and further provided that it has, prior to giving such notice, certified to the Trustee, and provided evidence acceptable to the Trustee (as specified in the Trust Deed) to the effect that it will have the necessary funds to discharge any

amounts required under the Issuer Deed of Charge or, as the case may be, the Restated Cash Management Agreement to be paid on such Interest Payment Date which certificate shall be conclusive and binding, and further provided that the then current ratings assigned by the Rating Agencies in respect of the Notes then outstanding will not be adversely affected thereby, the Issuer may redeem on any Interest Payment Date (but not, in the case of the Class D Notes, on any Interest Payment Date prior to the Interest Payment Date falling in January 1999):

- (i) some (but not less than the lesser of (i) a minimum aggregate Principal Amount Outstanding of £1,000,000 of the Class D Notes and thereafter in multiples of £100,000 of Principal Amount Outstanding or (ii) the then Principal Amount Outstanding of the Class D Notes) or all or any of the Principal Amount Outstanding of the Class D Notes at a price of 102 per cent. of their Principal Amount Outstanding on any Interest Payment Date prior to the Interest Payment Date falling in January 2001, at a price of 101 per cent. of their Principal Amount Outstanding from (and including) the Interest Payment Date falling in January 2000 to (but excluding) the Interest Payment Date falling in January 2001 and at par if the Interest Payment Date falls on or after the Interest Payment Date falling in January 2001, together with accrued interest to the date of redemption in respect of the Class D Notes; and/or
- (ii) some (but not less than the lesser of (i) a minimum aggregate Principal Amount Outstanding of £1,000,000 of a class of Fixed Rate Notes and thereafter in multiples of £100,000 of Principal Amount Outstanding or (ii) the then Principal Amount Outstanding of a class of Fixed Rate Notes) or all of any of:
 - (1) the Principal Amount Outstanding of the Class A Notes and/or the Class B Notes at a price equal to whichever is the higher of the following:
 - (aa) par; and
 - (bb) that price (as reported in writing to the Issuer and the Trustee by a financial adviser approved by the Trustee) expressed as a percentage (and rounded up to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield (as defined below) on the Class A Notes or, as the case may be, the Class B Notes on the Relevant Date (as defined below) is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on such Relevant Date of the Class A Relevant Treasury Stock or, as the case may be, the Class B Relevant Treasury Stock (each as defined below) and so that, for the purpose of this sub-paragraph (bb), "**Relevant Date**" means the date which is the second business day in London prior to the date of despatch of the notice of redemption referred to in this Condition 5(c), "**Gross Redemption Yield**" means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries, as reported in the Journal of the Institute of Actuaries, Volume 105, Part 1, 1978, page 18" and "**Class A Relevant Treasury Stock**" and "**Class B Relevant Treasury Stock**" means, as applicable, such government stock as the Trustee, with the advice of a market maker in the gilt-edged securities market approved by the Trustee shall determine to be a benchmark gilt, the duration of which most closely matches the then duration of the Class A Notes or, as applicable, the Class B Notes as calculated by the Trustee, together with (in the case of both (aa) and (bb) above) accrued interest to the date of redemption; and
 - (2) the Principal Amount Outstanding of the Class C Notes at a price equal to whichever is the higher of the following:
 - (aa) par; and
 - (bb) that price (as reported in writing to the Issuer and the Trustee by a financial adviser approved by the Trustee) expressed as a percentage (and rounded up to three decimal places (0.0005 being rounded upwards)) at which the Class C Gross Redemption Yield (as defined below) on the Class C Notes on the Relevant Date (as defined below) is equal

to the Gross Redemption Yield at 3.00 p.m. (London time) on that such Relevant Date of the Class C Relevant Treasury Stock (as defined below) and so that, for the purpose of this sub-paragraph (bb), “**Relevant Date**” means the date which is the second business day in London prior to the date of despatch of the notice of redemption referred to in this Condition 5(c), “**Class C Gross Redemption Yield**” means a yield calculated by taking accrued interest as part of the redemption price and using a true compound interest formula by finding the value of v to give $f(v) = 0$ where:

$$f(v) = v^t \sum_{i=1}^n C_i v^{i-1} - P \text{ (the “Discounted Cashflow Formula”)}$$

where v is the discounting factor per Interest Period;

C_i is the aggregate amount of interest and principal on the i^{th} Interest Payment Date of the Class C Notes next following the Relevant Date (C_i may be a first fractional payment);

n is the integral number of Interest Periods remaining from the Relevant Date to the date of final redemption of the Class C Notes;

t is the fractional period until the next Interest Payment Date; and

P is the price (including accrued interest) as at the Relevant Date,

then the Class C Gross Redemption Yield, G , is determined by

$$G = 200 (1/v^2 - 1) \text{ per cent. per annum.}$$

and “**Class C Relevant Treasury Stock**” means such government stock as the Trustee, with the advice of a market maker in the gilt-edged securities market approved by the Trustee shall determine to be a benchmark gilt, the duration of which most closely matches the then duration of the Class C Notes as calculated by the Trustee,

together with (in the case of (aa) above) accrued interest to the date of redemption.

Any such amounts not applied in redemption of the whole of a class or classes of Notes pursuant to Condition 5(b)(ii), Condition 5(b)(iii) or this Condition 5(c) will be applied in part redemption of the relevant class or classes of Notes *pro rata* so as to reduce the relevant Amortisation Amounts (if any) due under Condition 5(b)(i) in respect of the relevant class or classes of Notes on the Interest Payment Dates following such redemption. The Principal Amount Outstanding of any Notes purchased and cancelled pursuant to Conditions 5(g) and 5(h) respectively shall reduce *pro tanto* the Amortisation Amounts (if any) due under Condition 5(b)(i) in respect of the relevant class or classes of Notes on the Interest Payment Dates following such purchase and cancellation. The Cash Manager shall forthwith re-calculate the Amortisation Amounts in respect of the relevant class or classes of Notes to take account of such redemption or, as the case may be, purchase and cancellation, which re-calculation shall, in the absence of wilful default, bad faith or manifest error, be binding on the Noteholders and shall notify forthwith the Trustee, the Rating Agencies, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on the London Stock Exchange) the London Stock Exchange of such re-calculation and shall cause notice thereof to be given in accordance with Condition 14.

(d) 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 Conditions 5(b)(ii) and/or 5(b)(iii) and/or Condition 5(c) above, as applicable, shall, 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 Conditions 5(b)(ii) and/or 5(b)(iii) and/or Condition 5(c) above, 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.

Two business days before each Interest Payment Date (each a **"Calculation Date"**), the Cash Manager shall determine (i) the amount of any Note Principal Payment due on the next following Interest Payment Date, (ii) the Principal Amount Outstanding (as defined below) of each Note on the next following Interest Payment Date (after deducting any Note Principal Payment and any Amortisation Amount to be made on that Interest Payment Date) and (iii) the fraction expressed as a decimal to the fourth point (the **"Pool Factor"**), of which the numerator is the Principal Amount Outstanding of a Note of the relevant class (as referred to in (ii) above) and the denominator is 5,000. 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 of any class on any date shall be £5,000 less the aggregate amount of all Note Principal Payments and Amortisation Amounts in respect of a Note of the relevant class that have become due and payable since the Initial Closing Date and on or prior to such date (whether or not paid).

The Issuer (or the Cash Manager on its behalf) will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are listed on the London Stock Exchange) the London Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given in accordance with Condition 14 at the same time as the notice referred to in Condition 4(e) is given. If a Note Principal Payment is to be made on the Notes of a particular class or classes on an Interest Payment Date, a notice to this effect will be given by the Issuer to the Noteholders.

If the Issuer or the Cash Manager on behalf of the Issuer 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 paragraph, such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

(e) Optional Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to giving the notice referred to below that by virtue of a change in tax law (or the application or official interpretation thereof) from that in effect on 20th November, 1997 (i) on the next Interest Payment Date the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the United Kingdom other than the holding of Notes or Coupons), or the Issuer or the Cap Provider would be required to deduct or withhold from any payment due to be made under the Cap Agreement, as the case may be, (other than, in either case, in respect of default interest), or the Borrower would be required to deduct or withhold from any payment of principal or interest in respect of the Restated Intercompany Loan Agreement, in each case 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 United Kingdom or any political sub-division thereof or authority thereof or therein or (ii) the Issuer would not be entitled to relief for United Kingdom tax purposes for any amount which it is obliged to pay, or is treated as receiving for United Kingdom tax purposes an amount which it is not entitled to receive, under the Cap Agreement, as the case may be, then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the relevant event described in (i) or (ii) above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Trustee as principal debtor under the Notes. If the Issuer is unable to arrange such a substitution which would have the result of avoiding the events described in (i) and (ii) above then the Issuer may, on any Interest Payment Date on which the relevant event described in (i) or (ii) above (as the case may be) is continuing, having given not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 14, redeem (a) all, but not some only, of the Class D Notes and (b) all, but not some only, of the Fixed Rate Notes, in each case in accordance with the provision of Condition 5(c).

(f) Notice of Redemption

Any such notice as is referred to in Condition 5(c) and Condition 5(e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in the amounts specified in these Conditions.

(g) Purchase by Issuer

The Issuer may purchase Notes in aggregate principal amounts of not less than £500,000 on any day in the open market or otherwise at any price which, together with the expenses of purchase, does not exceed their Principal Amount Outstanding plus accrued interest and, in relation to such purchase shall, for so long as the Notes of the relevant class or classes are listed on the London Stock Exchange comply with all applicable regulations of the London Stock Exchange.

(h) Cancellation

All Notes redeemed in full or purchased pursuant to the foregoing provisions will be cancelled forthwith, together with any unmatured and unused Coupons and talons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

6. Payments

(a) Payments of principal in respect of Definitive Notes will be made against presentation and surrender of the relevant Principal Coupons (except where, after such surrender, the unpaid principal amount of a Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note) in which case each payment of principal will be made against presentation and surrender of such Definitive Note) at the specified office of any Paying Agent. Payments of interest in respect of Definitive Notes will (subject as provided in Conditions 6(c) and (d) below) be made only against presentation and, provided that payment is made in full, surrender of the relevant Interest Coupons at the specified office of any Paying Agent. Payments in respect of principal and interest in respect of the Global Notes will be made only against the presentation of the Global Note to or to the order of any Paying Agent at the specified office of any Paying Agent, subject, in the case of a Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. A record of each payment of interest and/or principal made in respect of a Global Note will be made on the Global Note by the Paying Agent and such record shall be prima facie evidence that the payment in question has been made. None of the persons appearing from time to time in the records of Clearstream, Luxembourg or of Euroclear as the holder of a Note of the relevant class shall have any claim directly against the Issuer in respect of payments due on such Notes whilst such Notes are represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. Such payment will be made in sterling at the specified office of any Paying Agent by sterling cheque drawn on, or at the option of the holder, by transfer to a sterling account maintained by the payee with, a bank in London. No payment with respect to any Note will be made at an office of any Paying Agent in the United States or by mail to an address in the United States or by transfer to an account in the United States.

(b) 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.

(c) Upon the date upon which any Definitive Note becomes due and payable in full, unmatured Coupons appertaining thereto (whether or not attached to such Definitive Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Definitive Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Definitive Note. As used herein, "unmatured" Coupons include any talon insofar as it relates entirely to unmatured Coupons.

(d) If payment of principal is improperly withheld or refused on or in respect of any Definitive Note or part thereof, the interest which continues to accrue in respect of such Definitive Note or part thereof in accordance

with Condition 4(a) will be paid against presentation of such Definitive Note at the specified office of any Paying Agent.

(e) The Principal Paying Agent and its initial specified office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Paying Agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 14.

(f) If any Coupon or Note is presented for payment on a day which is not a business day no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Coupon or, as the case may be, such Note.

(g) On or after the Interest Payment Date specified on each final Coupon forming part of any Coupon sheet, the talon may be surrendered at any specified office of any Paying Agent in exchange for a further Coupon sheet (including a further talon but excluding any Coupon which shall have become void).

(h) If interest is not paid in respect of a Note of any class on the date when due and payable (other than because the due date is not a business day or by reason of non-compliance with Condition 6(a)), then such unpaid interest shall itself bear interest at the Rate of Interest (in respect of the Class D Notes) or the rate specified in Condition 4(c) (in respect of the Fixed Rate Notes), in each case applicable from time to time until such interest and interest thereon is available for payment and notice thereof has been duly given in accordance with Condition 14.

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

8. Prescription

Definitive Notes and Principal Coupons (which expression shall not in this Condition include talons) shall become void in their entirety unless presented for payment within a period of 10 years from the relevant date in respect thereof. Interest Coupons (which expression shall not in this Condition include talons) shall become void unless presented for payment within a period of 5 years from the relevant date in respect thereof. After the date on which a Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "relevant date", in respect of a Definitive Note or Coupon, is the date on which a payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Definitive Notes and/or Coupons due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. Events of Default

(a) Class A Noteholders

For so long as any Class A Notes are outstanding, the Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes, or if so directed by or pursuant to an Extraordinary Resolution of the Class A Noteholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a "Class A Enforcement

Notice") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an **"Event of Default"**):

- (i) default is made for a period of seven business days in the payment of the principal of, or default being made for a period of fifteen business days in the payment of interest on, any Class A Note when and as the same ought to be paid in accordance with these Conditions; or
- (ii) default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Class A Notes, the Trust Deed, the Issuer Deed of Charge or the other Relevant Documents to which it is party and, in any such case (except where the 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 21 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 9(a)(iv) below, ceases or, through an official action of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended); or
- (iv) 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 Trustee in writing or by an Extraordinary Resolution of the Class A Noteholders; or
- (v) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

provided that, in the case of each of the events described in Condition 9(a)(ii), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders.

(b) Class B Noteholders

This Condition 9(b) shall not apply as long as any Class A Notes are outstanding. Subject thereto, for so long as any Class B Notes are outstanding, the Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes or if so directed by or pursuant to an Extraordinary Resolution of the Class B Noteholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a **"Class B Enforcement Notice"**) to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events:

- (i) default being made for a period of seven business days in the payment of the principal of, or default being made for a period of fifteen business days in the payment of interest on, any Class B Note when and as the same ought to be paid in accordance with these Conditions; or

- (ii) the occurrence of any of the events in Condition 9(a)(ii), (iii), (iv) or (v) above provided that, in the case of each of the events described in Condition 9(a)(ii) the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Noteholders.

(c) Class C Noteholders

This Condition 9(c) shall not apply as long as any Class A Notes or Class B Notes are outstanding. Subject thereto, and for so long as any Class C Notes are outstanding, the Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class C Notes or if so directed by or pursuant to an Extraordinary Resolution of the Class C Noteholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a "**Class C Enforcement Notice**") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events:

- (i) default being made for a period of seven business days in the payment of the principal of, or default being made for a period of fifteen business days in the payment of interest on, any Class C Note when and as the same ought to be paid in accordance with these Conditions; or
- (ii) the occurrence of any of the events in Condition 9(a)(ii), (iii), (iv) or (v) above, provided that, in the case of each of the events described in Condition 9(a)(ii), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class C Noteholders.

(d) Class D Noteholders

This Condition 9(d) shall not apply as long as any Class A Notes, Class B Notes or Class C Notes are outstanding. Subject thereto, and for so long as any Class D Notes are outstanding, the Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class D Notes or if so directed by or pursuant to an Extraordinary Resolution of the Class D Noteholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (a "**Class D Enforcement Notice**") to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events:

- (i) default being made for a period of seven business days in the payment of the principal of, or default being made for a period of fifteen business days in the payment of interest on, any Class D Note when and as the same ought to be paid in accordance with these Conditions; or
- (ii) the occurrence of any of the events in Condition 9(a)(ii), (iii), (iv) or (v) above, provided that, in the case of each of the events described in Condition 9(a)(ii), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class D Noteholders.

(e) For the avoidance of doubt, upon any declaration being made by the Trustee in accordance with Condition 9(a), (b), (c) or (d) above that the Notes are due and repayable, all classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed. As used in these Conditions, "**Note Enforcement Notice**" shall mean a Class A Enforcement Notice, a Class B Enforcement Notice, a Class C Enforcement Notice or a Class D Enforcement Notice, as the case may be.

10. Enforcement of Notes

Subject, in the case of the Class B Notes, the Class C Notes and the Class D Notes, to the provisions of Condition 15 the Trustee may, at its discretion and without notice take such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Notes (other than, in the case of the Class B Notes, the Class C Notes and the Class D Notes proceedings for the winding up or administration of the Issuer) and the Relevant Documents and may, at any time after the Issuer Security has become enforceable at its discretion and without notice, take such steps as it may think fit to enforce the Issuer Security, but it shall not be bound to take any such proceedings unless:

- (i) it shall have been so directed:
 - (A) by an Extraordinary Resolution of the Class A Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes; or
 - (B) in the event that no Class A Notes remain outstanding, by an Extraordinary Resolution of the Class B Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes; or
 - (C) in the event that no Class A Notes or Class B Notes remain outstanding, by an Extraordinary Resolution of the Class C Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class C Notes; or
 - (D) in the event that no Class A Notes, Class B Notes or Class C Notes remain outstanding, by an Extraordinary Resolution of the Class D Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class D Notes; and
- (ii) it shall have been indemnified to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any other party to the Relevant Documents or to enforce the Issuer Security unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing provided that no Class B Noteholder, no Class C Noteholder and no Class D Noteholder shall be entitled to take proceedings for the winding up or administration of the Issuer. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Secured Creditor (as defined in the Issuer Deed of Charge) under the Issuer Deed of Charge.

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 a modification of these Conditions or the provisions of any of the Relevant Documents.

(b) An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all Class B Noteholders, Class C Noteholders and Class D Noteholders *irrespective of the effect upon them, except* an Extraordinary Resolution to sanction a modification of the date of maturity of the Notes or any class thereof or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or any class thereof, altering the currency of payment of the Notes or any class thereof, or as the case may be, the Coupons or altering the quorum or majority required in relation to this exception (a "**Basic Terms Modification**"), which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or it shall not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of Class B Noteholders, Class C Noteholders or Class D Noteholders shall not be effective for any purpose while the Class A Notes remain outstanding unless either:

- (i) the 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.

(c) If all Class A Notes have been redeemed in full, an Extraordinary Resolution passed at any meeting of the Class B Noteholders shall be binding on all Class C Noteholders and Class D Noteholders *irrespective of the effect upon them, except* an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class C Noteholders and the Class D Noteholders or it shall not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class C Noteholders and the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of Class C Noteholders or Class D Noteholders shall not be effective for any purpose while the Class B Notes remain outstanding unless either:

- (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders; or
- (ii) it is sanctioned by an Extraordinary Resolution of the Class B Noteholders.

(d) If all Class A Notes and Class B Notes have been redeemed in full, an Extraordinary Resolution passed at any meeting of the Class C Noteholders shall be binding on all Class D Noteholders irrespective of the effect upon them, except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class D Noteholders or it shall not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders shall not be effective for any purpose while the Class C Notes remain outstanding unless either;

- (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders; or
- (ii) it is sanctioned by an Extraordinary Resolution of the Class C Noteholders.

(e) Subject as provided below, the quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution shall 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.

The quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be two or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, $33\frac{1}{3}$ per cent. in Principal Amount Outstanding of the Notes of such class for the time being outstanding.

Subject to Condition 11(f) below, if any Class A Notes are outstanding, it shall be necessary for the effectiveness of a Basic Terms Modification that it be sanctioned by Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders passed at separate class meetings convened for that purpose unless a Note Enforcement Notice (as defined in Condition 9(d) above) has been served by the Trustee, in which case a Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Class A Noteholders only passed at a separate meeting. Subject to Condition 11(f) below, if all Class A Notes have been redeemed in full, it shall be necessary for the effectiveness of a Basic Terms Modification that it be sanctioned by Extraordinary Resolution of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders passed at separate meetings convened for that purpose unless a Note Enforcement Notice has been served by the Trustee, in which case a Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Class B Noteholders only passed at a separate meeting. Subject to Condition 11(f) below, if all Class A Notes and Class B Notes have been redeemed in full, it shall be necessary for the effectiveness of a Basic Terms Modification that it be sanctioned by Extraordinary Resolution of the Class C Noteholders and the Class D Noteholders passed at separate meetings convened for the purpose unless a Note Enforcement Notice has been served by the Trustee, in which case a Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Class C Noteholders only passed at a separate meeting. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on the resolution.

(f) If the Trustee is of the opinion that a proposed Basic Terms Modification in respect of any particular class or classes of Notes is not materially prejudicial to the interests of any other class or classes of Noteholders in respect of which such Basic Terms Modification has not been proposed, such Basic Terms Modification can be sanctioned by an Extraordinary Resolution of the Noteholders of the class or classes of Notes in respect of which such Basic Terms Modification is proposed only passed at a separate meeting or meetings.

(g) The Trustee may agree, without the consent of the Noteholders or Couponholders, (i) to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, these Conditions or any of the Relevant Documents which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or (ii) to any modification of these Conditions or any of the Relevant Documents which, in the opinion of the Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders or the Couponholders, determine that an Event of Default shall not, or shall not, subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

(h) Where the 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, it shall have regard to the interests of the Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, the 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 Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(i) The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Relevant Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders if each of the Rating Agencies has confirmed that the then current ratings of the Notes would not be adversely affected by such exercise.

12. Indemnification and Exoneration of the Trustee

The Trust Deed and certain of the Relevant Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security unless indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer 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 Relevant Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons on behalf of the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Relevant Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Relevant 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.

The Trust Deed also relieves the Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security. The 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 Cash Manager, the Cap Provider, the Liquidity Facility Provider or any other person of their obligations under the Relevant Documents and the Trustee shall 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 and Coupons

(a) *Definitive Notes and Coupons*

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

(b) *Global Notes*

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

14. Notice to Noteholders

Any notice to the Noteholders shall be validly given (in respect of Notes represented by a Global Note) if sent to Clearstream, Luxembourg or Euroclear and shall be deemed to be given on the date on which it was so sent. Alternatively, any notice to the Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in 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.

A copy of each notice given in accordance with this Condition 14 shall be provided to each of Standard & Poor's Ratings Services — a division of the McGraw-Hill Companies Inc. and Fitch Ratings Limited (together, 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 Trustee, to provide a credit rating in respect of the Notes or any class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies and, for so long as the Notes of any class are listed on the Official List and traded on the London Stock Exchange, to the London Stock Exchange.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

15. Subordination

(a) *Interest*

In the event that, on any Interest Payment Date, the Issuer Available Funds (as defined in the Restated Master Definitions Agreement), after deducting the amounts referred to in items (i) to (v) of paragraphs 3 or 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class B Notes) (the "**Class B Interest Residual Amount**"), items (i) to (vi) of paragraph 3 or items (i) to (vii) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class C Notes) (the "**Class C Interest Residual Amount**"), items (i) to (viii) of paragraph 3 or items (i) to (x) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class D Notes) (the "**Class D Interest Residual Amount**") and items (i) to (xi) of paragraph 3 or items (i)

to (xiii) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Subordinated Class D Coupon Amounts) (the **"Subordinated Class D Interest Residual Amount"**) respectively (each an **"Interest Residual Amount"**) is not sufficient to satisfy in full the aggregate amount of interest due, subject to this Condition 15(a), on the Class B Notes, the Class C Notes or the Class D Notes (including in respect of the Subordinated Class D Coupon Amounts), 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, as the case may be, on each Class C Note and/or, as the case may be, on each Class D Note (including in respect of the Subordinated Class D Coupon Amounts) only an equal *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 relevant Interest Residual Amount by the number of Class B Notes, Class C Notes, Class D Notes or, as the case may be, the amount of the Subordinated Class D Coupon Amount then outstanding.

In any such event, 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, Class C Notes or Class D Notes as the case may be, on any Interest Payment Date in accordance with this Condition 15(a) falls short of the aggregate amount of interest payable on the Class B Notes, the Class C Notes or Class D Notes (including in respect of the Subordinated Class D Coupon Amounts), 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 Class D Notes, as applicable and shall be payable together with such accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date, the Issuer Available Funds, after deducting the amounts referred to in items (i) to (v) of paragraphs 3 or 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class B Notes), items (i) to (vi) of paragraph 3 or items (i) to (vii) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class C Notes), items (i) to (viii) of paragraph 3 or items (i) to (x) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class D Notes) and items (i) to (xi) of paragraph 3 or items (i) to (xiii) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Subordinated Class D Coupon Amounts) respectively is sufficient to make such payment.

(b) Principal

In the event that, on any Interest Payment Date, the Issuer Available Funds, after deducting the amounts referred to in items (i) to (vi)(a) of paragraphs 3 or 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class B Notes) (the **"Class B Principal Residual Amount"**), items (i) to (vii)(a) of paragraph 3 or items (i) to (viii)(a) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in respect of the Class C Notes) (the **"Class C Principal Residual Amount"**) and items (i) to (x) of paragraph 3 or items (i) to (xii) of paragraph 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class D Notes) (the **"Class D Principal Residual Amount"**) respectively, (each a **"Principal Residual Amount"**) is not sufficient to pay in full the aggregate amount of principal due, subject to this Condition 15(b), on the Class B Notes, the Class C Notes or Class D Notes respectively on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of principal on each Class B Note or on each Class C Note or on each Class D Note, as the case may be, only an equal *pro rata* share of the relevant Principal Residual Amount attributable to the relevant class or classes of Notes on such Interest Payment Date calculated by dividing the relevant Principal Residual Amount by the number of Class B Notes or, as the case may be, Class C Notes or, as the case may be, Class D Notes then outstanding.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of principal paid on the Class B Notes or Class C Notes or Class D Notes, as the case may be, on any Interest Payment Date in accordance with this Condition 15(b) falls short of the aggregate amount of principal payable on the Class B Notes or Class C Notes or Class D Notes, as the case may be, on that date pursuant to Condition 5. Such shortfall shall accrue interest at the same rate as that payable in respect of the Class B Notes or Class C Notes or Class D Notes, as the case may be, and shall be payable together with accrued interest on any succeeding Interest Payment Date only if and to the extent that on such Interest Payment Date the

Issuer Available Funds, after deducting the amounts referred to in items (i) to (vi)(a) of paragraphs 3 or 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class B Notes), items (i) to (vii)(a) of paragraph 3 or items (i) to (viii)(a) of paragraph 4 in each case of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class C Notes) and items (i) to (x) of paragraph 3 or items (i) to (xii) of paragraph 4 of Part 4 of the First Schedule to the Restated Cash Management Agreement (in the case of the Class D Notes) respectively, is sufficient to make such payment.

(c) General

Any amounts of principal or interest in respect of the Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 15 together with accrued interest thereon shall become payable on the Interest Payment Date falling in October, 2027 or, in respect of the Class D Notes, October, 2020 or on such earlier date as the Class A Notes or the Class B Notes or the Class C Notes or the Class D Notes, as the case may be, become immediately due and repayable under Condition 9.

(d) Notification

As soon as practicable after becoming aware that any part of a payment of interest or principal 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 and the Class D Noteholders, as the case may be, in accordance with Condition 14 and, so long as the Class B Notes, the Class C Notes and the Class D Notes are traded on the London Stock Exchange's market for listed securities, to the London Stock Exchange.

16. Further Issues

(a) The Issuer shall be at liberty, without the consent of the Noteholders, but provided it does not lead to a downgrade in the current ratings of the Notes and provided further that, on issue, such Further Notes (as defined below) have an aggregate initial Principal Amount Outstanding of not less than £25,000,000, to raise further funds, from time to time (subject to certain conditions contained in the Trust Deed being met), by the creation and issue of (i) further Class A notes (the "**Further Class A Notes**"), (ii) further Class B notes (the "**Further Class B Notes**"), (iii) further Class C notes (the "**Further Class C Notes**") and (iv) further Class D Notes (the "**Further Class D Notes**") and, together with the Further Class A Notes, Further Class B Notes and Further Class C Notes, the "**Further Notes**") in bearer form carrying the same terms and conditions in all respects (other than the issue date, the first Interest Period, the first Interest Payment Date, the amount of the first Interest Payment and the first Amortisation Amount) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, and share the same security as, the relevant class of Notes.

(b) In addition, unless the Rating Agencies otherwise consent, (i) no Further Class A Notes may be issued without the issue of Further Class B Notes and Further Class C Notes and Further Class D Notes and, when no Class A Notes are outstanding, no Further Class B Notes may be issued without Further Class C Notes and Further Class D Notes and, when no Class B Notes are outstanding, no Further Class C Notes may be issued without Further Class D Notes and (ii) where (i) applies, the proportion on issue of Further Class A Notes to Further Class B Notes and Further Class B Notes to Further Class C Notes and Further Class C Notes to Further Class D Notes must be no greater than the proportion at that time of Class A Notes to Class B Notes, Class B Notes to Class C Notes and Class C Notes to Class D Notes on the assumption that Notes shall have been redeemed only in accordance with Condition 5(b)(i) (whether or not that is in fact the case).

(c) Application will be made to the UK Listing Authority for the Further Notes to be admitted to the Official List and to the London Stock Exchange for the Further Notes to be admitted to trading on the London Stock Exchange's market for listed securities. It shall be a condition precedent to the issue of any Further Notes that (i) such Further Notes will be supported by such arrangements as would enable such Further Notes to be assigned the same ratings as the then current ratings of the Notes and any previously issued Further Notes, (ii) such Further Notes are assigned the same ratings as are then applicable to the existing Notes and (iii) that the ratings of the Notes and of any previously issued Further Notes will not be adversely affected by such issue. Any such Further

Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of security pursuant to the Issuer Deed of Charge as described above in Condition 2. All references in these Conditions to the "Class A Notes", "Class B Notes", "Class C Notes" and the "Class D Notes" shall include any "Further Class A Notes", "Further Class B Notes", "Further Class C Notes" and "Further Class D Notes" respectively in issue from time to time. All references in these Conditions to the Notes shall include any Further Notes in issue from time to time.

17. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Governing Law

The Trust Deed, the Issuer Deed of Charge, the Agency Agreement, the other Relevant Documents, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

SCHEDULE **JEWISH HOLY DAYS UNTIL 2027**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>			
ay Passover	April 8	March 28	April 17	April 6	April 24	April 13	April 3			
ay Passover	April 9	March 29	April 18	April 7	April 25	April 14	April 4			
ay Passover	April 14	April 3	April 23	April 12	April 30	April 19	April 9			
ay Passover	April 15	April 4	April 24	April 13	May 1	April 20	April 10			
ay Shavuoth	May 28	May 17	June 6	May 26	June 13	June 2	May 23			
ay Shavuoth	May 29	May 18	June 7	May 27	June 14	June 3	May 24			
ay Rosh Hashanah	Sept 18	Sept 7	Sept 27	Sept 16	Oct 4	Sept 23	Sept 13			
ay Rosh Hashanah	Sept 19	Sept 8	Sept 28	Sept 17	Oct 5	Sept 24	Sept 14			
of Atonement	Sept 27	Sept 16	Oct 6	Sept 25	Oct 13	Oct 2	Sept 22			
ay Succoth	Oct 2	Sept 21	Oct 11	Sept 30	Oct 18	Oct 7	Sept 27			
ay Succoth	Oct 3	Sept 22	Oct 12	Oct 1	Oct 19	Oct 8	Sept 28			
ni Azeret	Oct 9	Sept 28	Oct 18	Oct 7	Oct 25	Oct 14	Oct 4			
at Torah	Oct 10	Sept 29	Oct 19	Oct 8	Oct 26	Oct 15	Oct 5			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ay Passover	April 20	April 9	March 30	April 19	April 7	March 26	April 15	April 4	April 23	April 11
ay Passover	April 21	April 10	March 31	April 20	April 8	March 27	April 16	April 5	April 24	April 12
ay Passover	April 26	April 15	April 5	April 25	April 13	April 1	April 21	April 10	April 29	April 17
ay Passover	April 27	April 16	April 6	April 26	April 14	April 2	April 22	April 11	April 30	April 18
y Shavuoth	June 9	May 29	May 19	June 8	May 27	May 15	June 4	May 24	June 12	May 31
y Shavuoth	June 10	May 30	May 20	June 9	May 28	May 16	June 5	May 25	June 13	June 1
y Rosh Hashanah	Sept 30	Sept 19	Sept 9	Sept 29	Sept 17	Sept 5	Sept 25	Sept 14	Oct 3	Sept 21
ay Rosh Hashanah	Oct 1	Sept 20	Sept 10	Sept 30	Sept 18	Sept 6	Sept 26	Sept 15	Oct 4	Sept 22
E Atonement	Oct 9	Sept 28	Sept 18	Oct 8	Sept 26	Sept 14	Oct 4	Sept 23	Oct 12	Sept 30
y Succoth	Oct 14	Oct 3	Sept 23	Oct 13	Oct 1	Sept 19	Oct 9	Sept 28	Oct 17	Oct 5
ay Succoth	Oct 15	Oct 4	Sept 24	Oct 14	Oct 2	Sept 20	Oct 10	Sept 29	Oct 18	Oct 6
ni Azeret	Oct 21	Oct 10	Sept 30	Oct 20	Oct 8	Sept 26	Oct 16	Oct 5	Oct 24	Oct 12
at Torah	Oct 22	Oct 11	Oct 1	Oct 21	Oct 9	Sept 27	Oct 17	Oct 6	Oct 25	Oct 13
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
y Passover	March 31	April 20	April 9	March 28	April 16	April 6	April 23	April 13	April 2	April 22
ay Passover	April 1	April 21	April 10	March 29	April 17	April 7	April 24	April 14	April 3	April 23
y Passover	April 6	April 26	April 15	April 3	April 22	April 12	April 29	April 19	April 8	April 28
y Passover	April 7	April 27	April 16	April 4	April 23	April 13	April 30	April 20	April 9	April 29
y Shavuoth	May 20	June 9	May 29	May 17	June 5	May 26	June 12	June 2	May 22	June 11
ay Shavuoth	May 21	June 10	May 30	May 18	June 6	May 27	June 13	June 3	May 23	June 12
y Rosh Hashanah	Sept 10	Sept 30	Sept 19	Sept 7	Sept 26	Sept 16	Oct 3	Sept 23	Sept 12	Oct 2
y Rosh Hashanah	Sept 11	Oct 1	Sept 20	Sept 8	Sept 27	Sept 17	Oct 4	Sept 24	Sept 13	Oct 3
Atonement	Sept 19	Oct 9	Sept 28	Sept 16	Oct 5	Sept 25	Oct 12	Oct 2	Sept 21	Oct 11
y Succoth	Sept 24	Oct 14	Oct 3	Sept 21	Oct 10	Sept 30	Oct 17	Oct 7	Sept 26	Oct 16
y Succoth	Sept 25	Oct 15	Oct 4	Sept 22	Oct 11	Oct 1	Oct 18	Oct 8	Sept 27	Oct 17
i Azeret	Oct 1	Oct 21	Oct 10	Sept 28	Oct 17	Oct 7	Oct 24	Oct 14	Oct 3	Oct 23
t Torah	Oct 2	Oct 22	Oct 11	Sept 29	Oct 18	Oct 8	Oct 25	Oct 15	Oct 4	Oct 24

UNITED KINGDOM TAXATION

The following is a summary only of the Issuer's understanding of current taxation law and practice in the United Kingdom as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation treatment applicable to holders of the New Notes, and is subject to any changes therein. This summary applies only to persons who are the absolute beneficial owners of the New Notes and who hold the New Notes as investments. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Interest on the New Notes

1. *Payment of interest while the New Notes are represented by a Global Note held in a recognised clearing system.*

Under current United Kingdom Inland Revenue practice, the New Notes will be regarded as being in bearer form for the purposes of section 124 of the Income and Corporation Taxes Act 1988 ("**section 124**") notwithstanding that they are represented by a Global Note and, accordingly, as long as they 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 London Stock Exchange is such a "recognised stock exchange" for this purpose) interest payments on the New Notes will be treated as interest paid on a "quoted Eurobond" within the meaning of section 124. In these circumstances, payments of interest on the New Notes by the Paying Agents may be made without withholding or deduction for or on account of United Kingdom income tax in the circumstances described in paragraphs 2(a) to (c) below where certain conditions imposed by regulations made under the Income and Corporation Taxes Act 1988 (as amended by the Finance Act 1996) (the "**relevant legislation**") have been satisfied. This paragraph will not apply if the New Notes cease to be represented by a Global Note.

2. *Payment of interest if Definitive Notes are issued*

If the New Notes cease to be represented by a Global Note and Definitive Notes in bearer form are issued the New Notes will constitute "quoted Eurobonds" within the meaning of section 124 as long as they continue to be in bearer form and continue to be listed on a "recognised stock exchange" as defined above. Accordingly, payments of interest on the New Notes may be made without withholding on account of United Kingdom income tax:

- (a) where payment is made by or through a paying agent which is outside the United Kingdom; or
- (b) where the beneficial owner of the New Notes and of the related Coupons is not resident in the United Kingdom; or
- (c) where the New Notes are held in a "recognised clearing system" within the meaning of section 841A of the Income and Corporation Taxes Act 1988 (Euroclear and Clearstream, Luxembourg have each been designated as a recognised clearing system for this purpose),

and, where applicable, any other administrative conditions imposed by regulations made under the relevant legislation have been satisfied.

In all other cases an amount must be withheld on account of income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

3. *Scheduled changes to rules relating to quoted Eurobonds*

Following the enactment of the United Kingdom Finance Act 2000, the United Kingdom withholding tax rules in relation to payments of interest made on or after 1 April 2001 will change from those set out above. With effect from that date the position will be as follows:—

- (a) in relation to payments of interest made on or after 1 April 2001, the New Notes will constitute "quoted Eurobonds" provided only that they carry a right to interest and are and continue to be listed on a "recognised stock exchange" as described above. Whilst the New Notes are and continue to be quoted Eurobonds as so defined, payments of interest on the New Notes made on or after 1 April 2001 may be made without withholding on account of United Kingdom income tax. This will be the case whether the New Notes were issued on or after 1 April 2001 or before that date. With effect from that date it will not be necessary for the New Notes to be in bearer form in order to constitute "quoted Eurobonds", and whilst the New Notes are and continue to be quoted Eurobonds (within the definition applicable from that date) payments of interest on the New Notes made on or after that date may be made without withholding on account of United Kingdom income tax irrespective of whether the New Notes are in global form or in definitive form and irrespective of whether they are held in a "recognised clearing system" as described above; and
- (b) in all other cases an amount must be withheld on account of United Kingdom income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

4. *UK Collecting Agent Rules*

Where a person in the United Kingdom, in the course of a trade or profession, either:

- (a) acts as custodian of the New Notes and receives interest on the New Notes or directs that interest on the New Notes be paid to another person or consents to such payment; or
- (b) collects or secures (or arranges to collect or secure) payment of or receives interest on the New Notes for a Noteholder or a Couponholder (except in any case by means only of clearing a cheque or arranging for the clearing of a cheque),

such person may be treated as a "collecting agent". If so, the collecting agent will be required to account for income tax at the lower rate (currently 20 per cent.) (and will be entitled to withhold such tax from the interest in question) unless:

- (i) the relevant New Notes are held in a "recognised clearing system" as described above, and the collecting agent either:
 - (A) pays or accounts for the interest directly or indirectly to the "recognised clearing system"; or
 - (B) is acting as depositary for the "recognised clearing system"; or
- (ii) the person beneficially entitled to the interest and who beneficially owns the relevant New Notes is not resident in the United Kingdom; or
- (iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the trustees or the beneficiaries of the relevant trust is resident in the United Kingdom); or
- (iv) the person beneficially entitled to the interest is eligible for certain reliefs from tax in respect of the interest; or
- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of one of certain international organisations; or
- (vi) the New Notes and the interest are beneficially owned by a person falling into certain specified categories, or any of certain other circumstances applies, in each case as prescribed by regulations made under the relevant legislation, which would apply, for example, to New Notes held in a pension funds pooling scheme or a superannuation fund.

In the case of each of the above exceptions (except (i)(B)), further administrative conditions imposed by the regulations referred to above may have to be satisfied for the relevant exception to be available.

Following the enactment of the United Kingdom Finance Act 2000, the above rules requiring a collecting agent to withhold United Kingdom income tax will cease to apply in respect of payments of interest made on or after 1 April 2001 (or, in the case of banks in the United Kingdom which sell coupons, or dealers in coupons in the United Kingdom, where the relevant sale or realisation is effected on or after 1 April 2001).

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments, and subject to the proposals not being required to be applied to Notes issued before 1 March, 2001. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

5. Further UK Income Tax Issues for Non-UK Resident Noteholders

Interest on the New 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 the provisions of any 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 who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the New 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 will be treated for tax purposes as realising gains or losses in respect of the New Notes on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with a mark-to-market basis or an accruals basis which is authorised for tax purposes. Such gains and losses will be taken into account in computing taxable income for corporation tax purposes.

Other United Kingdom Tax Payers

1. Taxation of Chargeable Gains

It is expected that the New Notes will be treated by the Inland Revenue as "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of New Notes by a Noteholder would not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

2. Accrued Income Scheme

On a disposal of New Notes by a Noteholder, an amount which is treated as reflecting 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 not within the charge to United Kingdom corporation tax but 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 on the issue or transfer by delivery of a Definitive Note.

SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a further subscription agreement dated 19 February, 2001 between the Lead Manager, the Borrower, CWL, the Charging Subsidiaries and the Issuer (the "**Further Subscription Agreement**"), agreed subject to certain conditions, to procure subscribers and failing which itself to subscribe and pay for the (i) New Class A Notes at the issue price of 112.239 per cent. of the principal amount thereof plus accrued interest from (and including), 22nd January, 2001 and; (ii) the New Class B Notes at the issue price of 112.338 per cent. of the principal amount thereof plus accrued interest from (and including), 22nd January, 2001. The Issuer, failing whom CWL, has agreed to pay to the Lead Manager a selling commission of 0.25 per cent. of the aggregate principal amount of the New Class A Notes and a combined management and underwriting fee of 0.375 per cent. of the aggregate principal amount of the New Class A Notes, a selling commission of 0.25 per cent. of the aggregate principal amount of the New Class B Notes and a combined management and underwriting fee of 0.375 per cent. of the aggregate principal amount of the New Class B Notes.

The Further Subscription Agreement is subject to a number of conditions and may be terminated by the Lead Manager in certain circumstances prior to payment to the Issuer. The Issuer, failing which, CWL, has agreed to indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the New Notes.

The Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any New Notes to persons in the United Kingdom prior to admission of the New Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "**Act**") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the Act;
- (b) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the New Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the New Notes (other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act), to a person who is of a kind described in Article 11(3) of the Financial Services Act (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

The New Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or in certain transactions exempt from the registration requirements of the Securities Act. The Lead Manager has agreed that, except as permitted by the Further Subscription Agreement it will not offer, sell or deliver the New Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the New Notes and the Further Closing Date (for the purposes only of this section "**Subscription and Sale**", the "**Restricted Period**") (except in accordance with Rule 903 of Regulation S) within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or person receiving a selling commission fee or other remuneration that purchases New Notes from it during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the New 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 under the Securities Act.

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

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

The New Notes will have on their face a statement to the effect that any United States person who holds such New Notes will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code.

Except for listing of the New Notes on the Official List and admitted to trading on the London Stock Exchange's market for listed securities and the delivery of copies of this Offering Circular for registration to the Registrar of Companies in England and Wales no action is being taken by the Issuer or the Lead Manager in any jurisdiction which would or is intended to permit a public offering of the New Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the New Notes in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the New Notes may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

The Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any New Notes, or distribute this document or any other material relating to the New Notes in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulation.

GENERAL INFORMATION

1. The issue of the New Notes was authorised by resolution of the board of directors of the Issuer passed on 19th February, 2001.
2. It is anticipated that listing of the New Notes on the Official List and admission of the New Notes to trading on the London Stock Exchange's market for listed securities will be granted on or about 19th February, 2001, subject only to issue of the Temporary Global Notes. The listing of the Notes will be cancelled if the Temporary 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. Prior to official listing and admission to trading, however, dealings in the New Notes will be permitted by the London Stock Exchange in accordance with its rules.
3. The New Notes and the Existing Notes have been accepted for clearance in Euroclear and Clearstream, Luxembourg. Until exchange of the Temporary Global Note for the Global Permanent Note, the Common Code for the New Class A Notes is 012504195 and the ISIN is XS0125041953, the Common Code for the New Class B Notes is 012504225 and the ISIN is XS0125042258. Thereafter, the Common Code and ISIN for the New Class A Notes and the New Class B Notes will be the same as for the Existing Class A Notes and the Existing Class B Notes, respectively. The Common Code for the Existing Class A Notes is 008232946 and ISIN is XS0082329466 and the Common Code for the Existing Class B Notes is 008232989 and the ISIN is XS0082329896.
4. The financial information in this document relating to the Issuer and the Borrower does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Audited statutory accounts have been delivered to the Registrar of Companies for each of the two years ended 30 June 1999 and 2000. Unqualified audit reports in accordance with Sections 235-237 of the Companies Act for the years ended 30 June 1999 and 2000 have been given by Arthur Andersen, Chartered Accountants and Registered Auditors, of 1 Surrey Street, London WC2R 2PS, being the auditors of the Issuer and the Borrower for the relevant financial periods. So long as the New Notes are listed on the Official List and traded on the London Stock Exchange's market for listed securities the most recently published audited annual accounts of the Issuer and the Borrower from time to time will be available at the specified office of the Principal Paying Agent. The Issuer and the Borrower do not publish interim accounts.
5. The Issuer is not, nor has it been, engaged in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware) which may have or have had in the previous twelve months a significant effect on the Issuer's financial position. The Borrower is not, nor has it been, engaged in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware) which may have or have had in the previous twelve months a significant effect on the Borrower's financial position.
6. Since 30th June, 2000, each of the Issuer and the Borrower has entered into the Further Subscription Agreement and the Issuer has entered into the Supplemental Agency Agreement being contracts entered into other than in its ordinary course of business. In addition, the Issuer holds the issued share capital of the Borrower.
7. Arthur Andersen, CB Hillier Parker Limited and FPD Savills Commercial Limited have given and not withdrawn their written consent to the inclusion in this Offering Circular of their reports and references to their respective names in the form and context in which they are included and have authorised the contents of those parts of the listing particulars comprising their said reports for the purposes of Section 152(1)(e) of the Financial Services Act 1986.
8. Save as disclosed herein, since 30th June, 2000, there has been (1) no material adverse change in the financial position or prospects of the Issuer and (2) no significant change in the trading or financial position of the Issuer. Save as disclosed herein, since 30th June, 2000, there has been (1) no material adverse change in the financial position or prospects of the Borrower and (2) no significant change in the trading or financial position of the Borrower.

9. Save as disclosed in this document, neither the Issuer nor the Borrower has outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer or the Borrower created any mortgages, charges or given any guarantees.
10. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays and public holidays) at the offices of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ during the period of fourteen days from the date of this document:
- (i) the Memorandum and Articles of Association of the Issuer and the Borrower;
 - (ii) the audited accounts of the Issuer as at 30 June, 1999 and as at 30 June, 2000;
 - (iii) the audited accounts of the Borrower as at 30 June, 1999 and as at 30 June, 2000;
 - (iv) the contracts listed in paragraph 6 above;
 - (v) the Valuation Report of each of CB Hillier Parker Limited and FPD Savills Commercial Limited each dated 19 February, 2001;
 - (vi) the Original Trust Deed;
 - (vii) the Original Issuer Deed of Charge;
 - (viii) the Original Cash Management Agreement;
 - (ix) the Bank Account Agreement;
 - (x) the Composite Debenture;
 - (xi) the Floating Charge Agreement;
 - (xii) the Floating Charge Trust Deed;
 - (xiii) the Cap Agreement;
 - (xiv) the Original Liquidity Facility Agreement;
 - (xv) the Original Borrower Loan Agreement;
 - (xvi) the Share Charge;
 - (xvii) the Finance Lessor Charge;
 - (xviii) the Original Intercompany Loan Agreement;
 - (xix) the Disclosure Letter;
 - (xx) the Original Master Definitions Agreement; and
 - (xxi) drafts (subject to modification) of the following documents:
 - (a) the First Supplemental Trust Deed;
 - (b) the First Supplemental Agency Agreement;
 - (c) the First Supplemental Issuer Deed of Charge;
 - (d) the Restated Intercompany Loan Agreement;
 - (e) the Restated Borrower Loan Agreement;
 - (f) the Restated Liquidity Facility Agreement;
 - (g) the Restated Cash Management Agreement; and
 - (h) the Restated Master Definitions Agreement.

APPENDIX 1

INDEX OF DEFINED TERMS

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APPENDIX 2

PART A

THE CHARGING SUBSIDIARIES

PART 1

<u>Company</u>	<u>Registered Number</u>
Canary Wharf Investments (Three)	2455786
Canary Wharf Investments (Four) Limited	2388957
CWC SPVa Limited	3123292
CWE SPVa Limited	3123352
CWC SPVc Limited	3253119
CWE SPVc Limited	3123343
CWC SPVd Limited	3302741
CWE SPVd Limited	3123296
CWC SPVe Limited	3302707
CWE SPVf Limited	3123299
CWE SPVg Limited	3123286
Seven Westferry Circus Limited	2732071
CW Leasing DS7B Limited	3441728
CW Leasing DS7F Limited	3441740
CW Leasing FC3 Limited	3441742
CW Leasing B2 Limited	3441833

PART 2

First Tower GP(1) Limited	SC132920
First Tower GP(2) Limited	SC132921
First Tower Limited Partnership (acting by its general partners First Tower GP(1) Limited and First Tower GP(2) Limited)	English Limited partnership number LP4097
First Tower T1 Limited	2550906
First Tower T2 Limited	2558070

PART B
THE FINANCE LESSEES

<u>Company</u>	<u>Registered Number</u>
CW Properties DS7B Limited	3441686
CW Properties DS7F Limited	3441707
CW Properties FC3 Limited	3441720
CW Properties B2 Limited	3441730

PART C
THE FINANCE LESSORS

<u>Company</u>	<u>Ultimate Holding Company</u>	<u>Registered Number</u>
Mercantile Leasing Company (No.165) Limited	3025274	Barclays Holdings PLC
Robert Fleming (Overseas) Number 2 Limited	2904179	Robert Fleming & Co. Limited
Indural Holdings Limited	556213	HSBC Investment Bank plc

REGISTERED AND HEAD OFFICE OF THE ISSUER

Canary Wharf Finance plc
One Canada Square
Canary Wharf
London E14 5AB

TRUSTEE

Bankers Trust Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

CASH MANAGER

Canary Wharf Limited
One Canada Square
Canary Wharf
London E14 5AB

LIQUIDITY FACILITY ARRANGER

Barclays Capital Group
5 The North Colonnade
Canary Wharf
London E14 4BB

LEGAL ADVISERS

*To the Issuer, the Borrower and the Charging
Subsidiaries*

**Clifford Chance Limited Liability
Partnership**
200 Aldersgate Street
London EC1A 4JJ

*To the Lead Manager, the Trustee and the
Liquidity Facility Provider*

Allen & Overy
One New Change
London EC4M 9QQ

AGENT BANK AND PRINCIPAL PAYING AGENT

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB

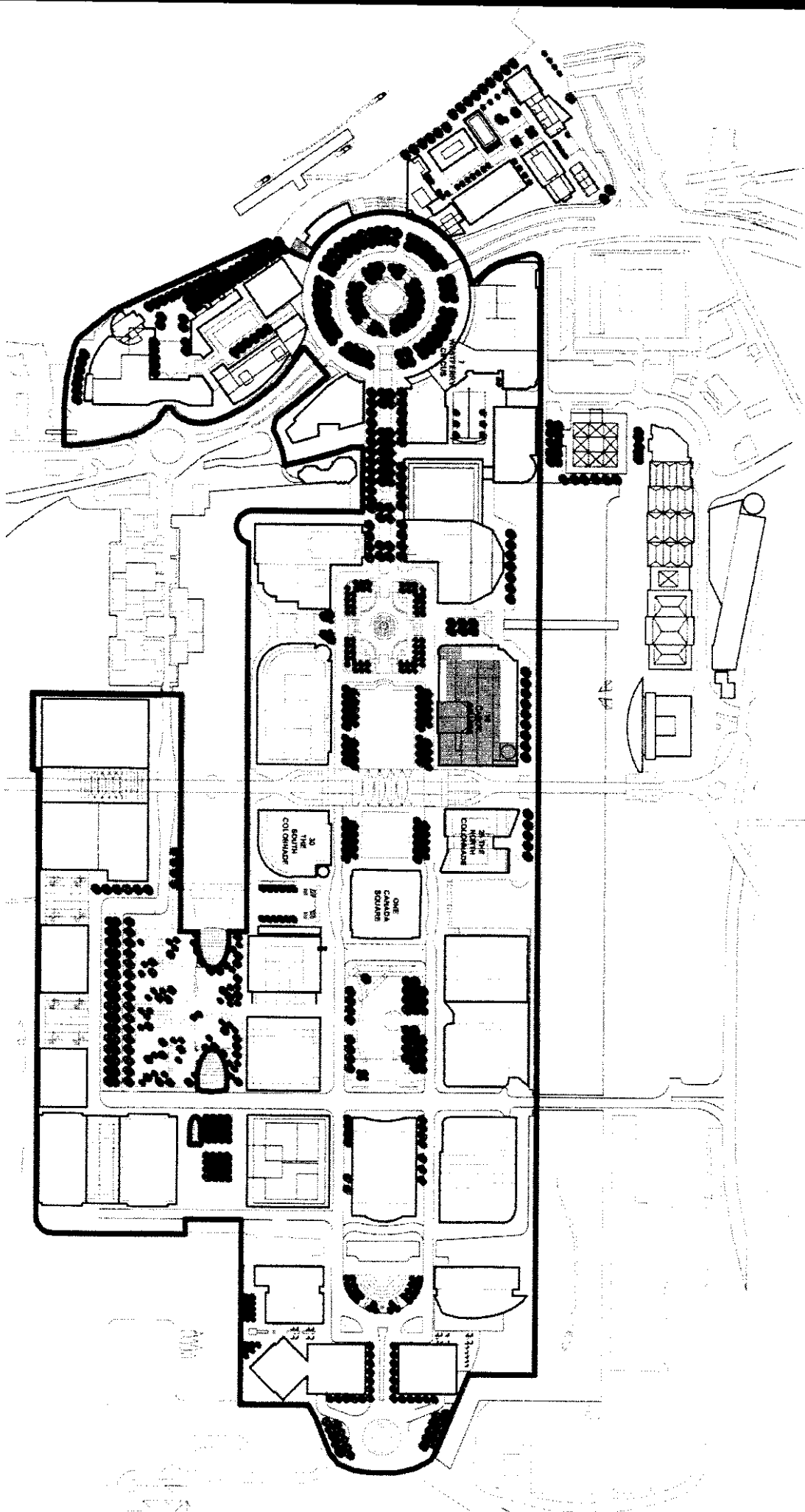
AUDITORS TO THE ISSUER

Arthur Andersen
1 Surrey Street
London WC2R 2PS

LISTING AGENT

Morgan Stanley & Co. International Limited
25 Cabot Square
London E14 4QA

ESTATE MAP



CANARY WHARF
LONDON

- ESTATE BOUNDARY
- OFFICE AND STORAGE AREAS SUBJECT TO SECURITISATION
- OFFICE AREAS AND STORAGE SPACE OF FLOOR 9 AND 10 OF 10 CABOT SQUARE SUBJECT TO SECURITISATION

CANARY WHARF
LONDON