

**C L I F F O R D
C H A N C E**

498/6

LIMITED LIABILITY PARTNERSHIP

4407344

CHAMBERFLAME LIMITED
CHAMBERCROFT LIMITED
ROGER CAREY AND OTHERS
MORGAN STANLEY REAL ESTATE FUND IV INTERNATIONAL - T, L.P.
AND OTHERS

SHAREHOLDERS' AGREEMENT



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THIS AGREEMENT is made on 24 May 2002

BETWEEN:

- (1) **CHAMBERFLAME LIMITED**, a company incorporated in England and Wales (registered no. 4407344), whose registered office is at 200 Aldersgate Street, London, EC1A 4JJ (the "Company");
- (2) **CHAMBERCROFT LIMITED**, a company incorporated in England and Wales (registered no. 4407378) whose registered office is at 200 Aldersgate Street, London, EC1A 4JJ ("BidCo");
- (3) **THE PERSONS** whose names and addresses are set out in schedule 1 (the "Managers" and each a "Manager"); and
- (4) **THE PERSONS** whose names and addresses are set out in schedule 2 (the "Investors" and each an "Investor").



INTRODUCTION:

- (A) The Company owns the entire issued share capital of BidCo;
- (B) BidCo intends to acquire the shares of Target pursuant to an offer which will be regulated by the Takeover Code;
- (C) This Agreement sets out the terms on which the Investors and Managers are willing to invest in the Company and the terms on which the Investors and the Managers are willing to subscribe for Loan Notes in the Company; and
- (D) The issued and unissued share capital of the Company immediately following Target Exchange and BidCo Exchange will be as set out in Part A of Schedule 7.

THE PARTIES AGREE as follows:

1. INTERPRETATION

1.1 In this Agreement:

"A" Directors" means the directors referred to in clause 9.1.2;

"A" Ordinary Shares" means "A" ordinary shares of 1p each in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association;

"Act" means the Companies Act 1985, including any statutory modification or re-enactment for the time being in force;

"Announcement" means the announcement of the Offer in the agreed form.

"Annual Budget" has the meaning given in clause 9.3;

"Approvals Director" means the director referred to in clause 10.1;

"Articles of Association" means the articles of association of the Company in the agreed form to be adopted pursuant to the Resolutions and, once adopted, those articles of association as amended from time to time and **"Article"** shall be construed accordingly;

"BidCo Exchange" means the carrying out by the parties of their obligations under clause 4;

"BidCo Exchange Conditions" means the issue of the BidCo Exchange Shares to the Managers having been completed pursuant to clause 4.1. The parties acknowledge that such issue will cause the beneficial ownership of BidCo Exchange Shares to be held by the Managers;

"BidCo Exchange Shares" means those ordinary shares of 1p each in the share capital of BidCo to be issued to the Managers pursuant to clause 4.1 particulars of which are set out in column 4 of Schedule 1;

"Board" means the board of directors of the Company from time to time;

"B" Ordinary Shares means "B" redeemable ordinary shares of 1p each in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association;

"Business Day" means a day other than a Saturday, Sunday or public holiday in England and Wales;

"Company's Group" means the Company and BidCo and **"member of Company's Group"** is to be construed accordingly;

"Confidential Information" means all information which is used in or otherwise relates to the business, customers, financial or other affairs of any member of the Group including, without limitation, information relating to:

- (a) the marketing of services including, without limitation, tenant names and lists and other details of tenants, market share statistics, rental prices, market research reports and surveys; or
- (b) future projects, business development or planning, commercial relationships and negotiations;

"Connected Person" has the meaning given to that expression in section 839 Income and Corporation Taxes Act 1988 and a person "Connected" with a party shall be construed accordingly;

"Disclosure Letter" means the letter in the agreed form from the Managers to the Investors in relation to the Warranties having the same date as this Agreement;

"Dispose" means in relation to any share in the Company or any legal or beneficial interest in any share:

- (a) to sell, assign, transfer or otherwise dispose of the share or any legal or beneficial interest in that share;
- (b) to create or permit to subsist any Encumbrance over the share or any legal or beneficial interest in that share;
- (c) to enter into any agreement in respect of the votes or any other rights attached to the share;
- (d) to renounce or assign any right to receive the share or any legal or beneficial interest in that share; or
- (e) to agree, whether or not subject to any condition precedent or subsequent, to do any of the foregoing.

"Encumbrance" means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of agreement or arrangement having similar effect;

"Exit" means a Sale or a Listing or a members' voluntary winding-up of the Company;

"Finance Documents" means a credit agreement dated on or around the date of this Agreement between Morgan Stanley Dean Witter Bank Limited; Morgan Stanley Dean Witter Principal Funding Inc; Morgan Stanley Mortgage Servicing Limited and Bidco in respect of a Sterling bridging loan facility of up to £384,100,000 relating to the acquisition of the Target;

"Founders" means Roger Carey, John Keogan and Ian Melia;

"Group" means the Company and its subsidiary undertakings from time to time and "member of the Group" is to be construed accordingly;

"Investors' Solicitors" means Clifford Chance Limited Liability Partnership of 200 Aldersgate Street, London EC1A 4JJ;

"Investor Directors" means the directors referred to in clause 9.1.1;

"Listing" means together the admission of any of the Company's shares to the Official List of the UK Listing Authority becoming effective (in accordance with paragraph 7.1 of the rules made by the UK Listing Authority pursuant to section 74 of the Financial Services and Markets Act 2000 ("FSMA"), as amended or its successor legislation) or any other recognised investment exchange as described in section 285 of FSMA and the admission of any of the Company's shares to trading on the London Stock Exchange plc (in accordance with paragraph 2.1 of the Admission and Disclosure Standards of the London Stock Exchange plc from time to time) or such other recognised investment exchange becoming effective;

"Loan Notes" means the loan notes to be issued by the Company in accordance with the Loan Note Instrument;

"Loan Note Instrument" means the instrument to be executed by the Company constituting the Loan Notes in the agreed form;

"Majority Investors" means the holders of 50% or more of the "B" Ordinary Shares from time to time in issue;

"Management Rights Agreement" means the agreement dated on or about the date of this Agreement between amongst others the TE Fund, the Special Fund (as such terms are defined therein), and the Company, providing for management rights of the TE Fund and the Special Fund over the Company;

"Non-Investor "A" Ordinary Shares" means "A" Ordinary Shares held by the Managers;

"Offer" means the offer described in the Announcement, to be made by Morgan Stanley & Co. Limited on behalf of BidCo to acquire all of the issued and to be issued ordinary shares in the capital of Target as varied, amended, increased or extended from time to time with the approval of the Investors;

"Offer Document" means the offer document to be issued by Morgan Stanley & Co. Limited on behalf of BidCo to the shareholders of Target pursuant to which BidCo offers to purchase the entire issued and to be issued share capital of Target other than those shares purchased pursuant to clause 3.1.5;

"Relevant Date" means the date of termination of the relevant Manager's employment with any member of the Group **PROVIDED THAT** if the relevant member of the Group gives notice to the Manager to terminate his employment under his service agreement and the Manager is required to serve his notice period but not to perform his duties under the service agreement ("Garden Leave") then any time spent on Garden Leave shall be deducted from the one year period referred to in clause 6.2;

"Resolutions" means the resolutions of the Company in the agreed form;

"Sale" means the transfer (whether through a single transaction or a series of transactions) of 50% or more of the B Ordinary Shares of the Company in issue to a person and any other person:

- (i) who in relation to him is a connected person, as defined in section 839 of the Income and Corporation Taxes Act 1988; or
- (ii) with whom he is acting in concert, as defined in The City Code on Takeovers and Mergers

other than a person who is an original party to this Agreement as an Investor or a person who has acquired shares pursuant to Articles 9.2 to 9.5, or a Jersey company which offers to replicate the capital structure (save for the maturity of the Loan Notes)

and shareholdings in the Company and where the rights of the shareholders, whether under this Agreement or under the Articles of Association, are replicated;

"Takeover Code" means the City Code on Takeovers and Mergers in force at the date hereof;

"Target" means Saville Gordon Estates PLC;

"Target Exchange" means the carrying out by the parties of their obligations under clause 3.1;

"Target Exchange Date" means the Business Day after the Target Exchange Conditions are satisfied or waived in writing by the Investors;

"Target Exchange Conditions" means a condition set out in clause 2.1 and **"Target Exchange Conditions"** means all those conditions;

"Target Exchange Shares" means those ordinary shares of 10p each in the share capital of Target to be purchased by Bidco pursuant to clause 3.1.5 particulars of which are set out in column 3 of Schedule 1.

"Target's Group" means Target and its subsidiary undertakings at the date of this Agreement and **"member of Target's Group"** is to be construed accordingly;

"Warranty" means a statement contained in schedule 3 and **"Warranties"** means all those statements; and

"Warranty Claim" means a claim by any of the Investors under or pursuant to the provisions of clause 5.1.

1.2 In this Agreement, a reference to:

1.2.1 a **"subsidiary undertaking"** or a **"group undertaking"** is to be construed in accordance with sections 258 and 259 respectively of the Act;

1.2.2 a document in the **"agreed form"** is a reference to a document in a form approved and for the purposes of identification initialled by or on behalf of the Company, the Managers and the Investors;

1.2.3 a statutory provision includes a reference to:

(i) the statutory provision as modified or re-enacted or both from time to time before the date of this Agreement; and

(ii) any subordinate legislation made under the statutory provision (as so modified or re-enacted) before the date of this Agreement;

1.2.4 a **"person"** includes a reference to any individual, firm, company, corporation or other body corporate, government, state or agency of a state or any joint venture, association or partnership, works council or employee representative body (whether or not having a separate legal personality);

- 1.2.5 an individual includes a reference to that individual's legal personal representatives, successors and permitted assigns; and
- 1.2.6 a clause, paragraph or schedule, unless the context otherwise requires, is a reference to a clause or a paragraph of, or a schedule to, this Agreement.
- 1.3 The headings in this Agreement do not affect its interpretation.
- 2. **TARGET EXCHANGE CONDITIONS**
- 2.1 Target Exchange is conditional on the following Target Exchange Conditions being fulfilled to the satisfaction of the Investors or being waived in writing by the Investors on or before the date 81 days after the date the Offer Document is posted to shareholders in Target or such later date as the parties may agree (the "Long-Stop Date"):
 - 2.1.1 The Offer having become or been declared wholly unconditional; and
 - 2.1.2 The facilities under the Finance Documents having become unconditionally available to BidCo (subject only to Target Exchange).
- 2.2 The Company undertakes:
 - 2.2.1 to the Investors not to, and to procure that the other relevant members of the Company's Group do not, amend, vary, novate, supplement or terminate any of the Finance Documents or the Loan Note Instrument or waive any right or give any consent or exercise any discretion under any of those documents, or vary, amend, increase or extend the Offer, or agree to do any of such things without the written consent of the Investors; and
 - 2.2.2 to the Managers not to, and to procure that the other relevant members of the Company's Group do not prior to the Target Exchange Date increase the financial terms of the Offer or increase the amount of debt pursuant to the Finance Documents without the written consent of the Managers.
- 2.3 Each of the Managers undertakes to the Investors:
 - 2.3.1 subject to his fiduciary duties as a director of the Target and any requirements of law or a regulatory authority, to use his reasonable endeavours to procure that, prior to the Target Exchange Date, the business of the Target's Group is carried on in the ordinary course and that no Confidential Information concerning the Target's Group or its business is disclosed to any third party other than in the ordinary course of business; and
 - 2.3.2 subject to his fiduciary duties as a director of the Target and any requirements of law or a regulatory authority, to notify Investors in writing promptly if he becomes aware before the Target Exchange Date of any fact, matter, event or circumstance which:-

- (a) does or may give rise to a breach of any of the obligations undertaken by any of the Managers pursuant to this Agreement;
- (b) does or may give rise to a breach of any of the representations, warranties, undertakings or agreements contained in the Finance Documents; or
- (c) is likely to prevent a Target Exchange Condition being satisfied on or before the Target Exchange.

2.4 If the Target Conditions are not fulfilled to the satisfaction of the Investors or waived in writing by the Investors on or before the Long-Stop Date, or if the Offer lapses, this Agreement shall automatically terminate with immediate effect except that:

- 2.4.1 clauses 1 (Interpretation), 14 (Announcements), 20 (General), 21 (Notices) and 22 (Governing Law and Jurisdiction) shall continue to apply; and
- 2.4.2 termination shall not affect a party's accrued rights and obligations at the date of termination although each party's further rights and obligations shall cease immediately on termination.

3. TARGET EXCHANGE

Target Exchange will take place at the offices of the Investors' Solicitors on the Target Exchange Date (or at such other place or date as the Investors may agree). At Target Exchange the following shall take place (to the extent that they have not taken place prior to the Target Exchange Date):

- 3.1.1 the Company shall execute the Loan Note Instrument and Management Rights Agreement;
- 3.1.2 the passing of the Resolutions;
- 3.1.3 each of the Investors shall subscribe in cash for the number of "A" Ordinary Shares and "B" Ordinary Shares set opposite its name in columns 2 and 3 of schedule 2 for 1p each and the number of Loan Notes at £1 each set opposite its name in column 4 of schedule 2;
- 3.1.4 the Managers shall subscribe in cash for the A Ordinary Shares at 1p per share and Loan Notes at £1 each set out opposite their names in columns 6 and 7 of schedule 1;
- 3.1.5 each of the Managers shall sell to Bidco and Bidco shall purchase all legal and beneficial title to the number of Target Exchange Shares set opposite his name in column 3 of schedule 1, the consideration for such transfers being the allotment and issue of the number of Bidco Exchange Shares (credited as fully paid) set opposite his name in column 4 of schedule 1. The Managers shall deliver to Bidco duly executed stock transfer forms and share certificates (or indemnities for lost or missing certificates) for the Target Exchange Shares;

- 3.1.6 the Company shall or, in relation to those matters contemplated in clause 3.1.5, shall procure that BidCo shall in the case of Target Exchange Shares allot and issue to each of the Investors (or their nominee(s)) and the Managers the shares and Loan Notes as the case may be subscribed by or issued to them in accordance with clauses 3.1.3, 3.1.4 and 3.1.5 and enter them in the relevant register and deliver to them duly executed certificates;
- 3.1.7 each of the Managers and the Company shall enter into Service Agreements in the agreed form;
- 3.1.8 Matthew Horgan, Timothy Morris, Paula Schaefer and John Henry shall to the extent not already appointed be appointed to the Board as the Investor Directors and Roger Carey, John Keogan, and Ian Melia shall be appointed to the Board as "A" Directors and Roger Carey will be appointed Chairman of the Company; and
- 3.1.9 the Company shall pay the fees referred to in clause 15 as being payable at Completion.
- 3.2 Each subscription or payment by the Investors pursuant to this clause shall be made by transfer of funds for same day value to such account in England as shall have been notified by the Company to them at least three Business Days before Target Exchange. Subscriptions by the Managers shall be against undertakings to pay within 60 days of subscription, failing which the relevant shares or Loan Notes shall be forfeited.
4. **BIDCO EXCHANGE**
- 4.1 Upon satisfaction of the BidCo Exchange Conditions, each of the Managers shall sell to the Company and the Company shall purchase all legal and beneficial title to the number of BidCo Exchange Shares set opposite his name in column 4 of schedule 1, the consideration for such transfers being the allotment and issue (credited as fully paid) of the number of A Ordinary Shares set opposite his name in column 5 of schedule 1 and the issue of the number of Loan Notes set opposite his name in column 8 of schedule 1.
- 4.2 At BidCo Exchange the following shall take place:
- 4.2.1 The Company shall allot and issue to each of the Managers the shares and Loan Notes referred to in clause 4.1, register the Managers in the register of members and deliver to them duly executed certificates;
- 4.2.2 The Managers shall deliver stock transfer forms validly executed by them transferring their BidCo Exchange Shares to the Company and their share certificates for the BidCo Exchange Shares.
- 4.3 An Investor or a Manager is not obliged to complete this Agreement unless the other Company, the other Managers and the other Investors comply with all their respective obligations under this clause.

5. **WARRANTIES**

- 5.1 Each Manager warrants at the date of this Agreement to the Investors that each Warranty is true, accurate and not misleading.
- 5.2 The Warranties are qualified by the facts and circumstances fairly disclosed in the Disclosure Letter.
- 5.3 Each Manager waives and undertakes not to enforce any right which he may have in respect of a misrepresentation, inaccuracy or omission in or from information or advice provided by any other Manager, by any member of the Company's Group or by any director, officer or employee of any member of the Company's Group or of any member of Target's Group for the purpose of assisting the Manager to give a Warranty or prepare the Disclosure Letter.
- 5.4 Each Warranty is to be construed independently and (except where this Agreement expressly provides otherwise) is not limited by another provision of this Agreement or by another Warranty.
- 5.5 A reference in schedule 3 or in the Disclosure Letter to a person's awareness or knowledge, information or belief is deemed to include the awareness or knowledge, information and belief which the person would have had if the person had made all such reasonable enquiries as would not be prohibited under the Takeover Code where an offer subject to the Code is in contemplation.
- 5.6 Except for Warranty Claims arising (or any delay in the discovery of which arises) as a result of any fraud on the part of the relevant Manager the total liability of each Manager for all Warranty Claims shall not exceed the following amounts:

Name of Manager		Maximum Aggregate Liability under the Warranties (£)
Roger Carey	250,000	plus any annual bonus paid to him by the Company during the period set out in clause 5.7.2
John Keogan	156,000	plus any annual bonus paid to him by the Company during the period set out in clause 5.7.2
Ian Melia	177,000	plus any annual bonus paid to him by the Company during the period set out in clause 5.7.2

- 5.7.1 no Manager shall be liable in respect of a Warranty Claim unless the amount that would otherwise be recoverable from that Manager (but for this clause 5.7.1) in respect of that Warranty Claim exceeds £10,000 and in the event that the amount exceeds that figure then the Manager will only be liable in respect of the excess; and

- 5.7.2 no Manager shall be liable in respect of a Warranty Claim unless he has been given written notice of the Warranty Claim within one year after Target Exchange.
- 5.8 Each Manager further warrants to the Investors that he has not and undertakes that he will not enter into any counter indemnity or insurance arrangements with any person in relation to any of the Warranties.
- 5.9 The Warranties contained in paragraph 1.2 of schedule 3 relating to the Business Plan shall not be deemed to be qualified or modified by any disclosure made in relation to any other Warranty in the Disclosure Letter unless expressly stated otherwise.
- 5.10 Subject to any law or regulatory authority or fiduciary duties which would prevent the Manager from so doing, each Manager undertakes with the Investors that he shall notify the Investors as soon as is reasonably practicable if he becomes aware of a fact, matter, event or circumstance which arises, occurs or becomes known to him in the period up to and including the Target Exchange Date which constitutes, or which would or is likely to cause, a breach of clause 5.1 or which would or is likely to cause a Warranty to be untrue, inaccurate or misleading if the Warranties were repeated on each day up to and including the Target Exchange Date (for which purposes only, where there is an express or implied reference in a Warranty to the "date of this Agreement", that reference is to be construed as a reference to each such day).
- 5.11 If the Investors become aware of a Warranty Claim, they shall give written notice to the Manager as soon as reasonably practicable thereafter giving reasonable details of such Warranty Claim.
- 5.12 Subject to any law or regulatory authority or fiduciary duties which would prevent the Manager from so doing, each Manager undertakes with the Investors that, he shall not do nor allow to be done and (so far as he is reasonably able) shall procure that any member of Target's Group shall not do nor allow to be done any act or omission in the period up to and including the Target Exchange Date which would or is likely to cause a breach of clause 5.1 or which would or is likely to cause a Warranty to be untrue, inaccurate or misleading if the Warranties were repeated on each day up to and including that date (for which purposes only, where there is an express or implied reference in a Warranty to the "date of this Agreement", that reference is to be construed as a reference to each such day).
- 5.13 Any Warranty Claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn (and no new Warranty Claim may be made in respect of the facts giving rise to such withdrawn Warranty Claim) unless legal proceedings in respect of it have been commenced by both being issued and served within nine months of notice having been given by the Investors.
- 5.14 A breach of Warranty which is capable of remedy shall not entitle the Investors to compensation unless the Managers are given written notice of such breach and such

breach is not remedied within 60 days after the date on which such notice is served on the Managers.

- 5.15 The Investors agree that they shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of the same factual circumstances which give rise to one or more Warranty Claim.
- 5.16 Nothing in this clause 5 shall in any way restrict or limit the general obligation at law of each of the Investors to mitigate any loss or damage which it may suffer in consequence of any breach by the Managers of the terms of this Agreement or any fact, matter, event or circumstance giving rise to a Warranty Claim.
- 5.17 The Investors agree that they shall have no right of action or remedy against the Managers arising out of or in connection with any statement, representation, warranty or understanding of any person (whether a party to this Agreement or not) which is not set out in this Agreement. The only remedy available to the Investors shall be damages for breach of contract and, for the avoidance of doubt, the Investors shall have no right to rescind or terminate this Agreement either for breach of contract or for negligent or innocent misrepresentation or otherwise.

6. MANAGERS' UNDERTAKINGS

- 6.1 In consideration of the subscription by each Investor pursuant to clause 3.1.3 each Manager undertakes with the Investors that, except with the written consent of the Approvals Director:
 - 6.1.1 save as specifically disclosed in the Disclosure Letter and the Service Agreements entered into pursuant to clause 3.1.7, he shall while employed by any member of the Group (including during any period of Garden Leave), unless prevented by illness, devote his whole time and attention during business hours to the business of the Group and shall not:
 - (a) engage in any other business, trade or occupation; or
 - (b) be concerned or interested directly or indirectly in any business of a similar nature to or which competes with that carried on by any member of the Group **PROVIDED THAT** a Manager may be interested in securities which are for the time being quoted, listed or dealt on any public securities market if the Manager's interest in the securities does not exceed 1% of the total amount of the class of securities in issue; and
 - 6.1.2 he shall not while employed by any member of the Group (except in the proper course of his duties as an employee) nor after the Relevant Date, use or disclose to any person any Confidential Information and the Manager shall make every effort to prevent the use or disclosure of such Confidential Information by any other person **PROVIDED THAT** such restrictions shall cease to apply to any Confidential Information which enters the public domain

other than through the default of the Manager or which he is required to disclose by law or a regulatory authority.

6.2 In consideration of the subscription by each Investor pursuant to clause 3 each Manager undertakes with the Investors that, except with the written consent of the Approvals Director:

6.2.1 for two years after the Relevant Date, the Manager shall not (on his own behalf or in conjunction with or on behalf of any person directly or indirectly in competition with the business carried on by or proposed to be carried on by any member of the Group at the Relevant Date):

(a) solicit or contact with a view to the engagement or employment by the Manager or by another person, any person who at the Relevant Date is employed by any member of the Group in a senior or specialist capacity and with whom the Manager had dealings during the course of his employment; or

(b) engage or employ any person who at the Relevant Date is employed by any member of the Group in a senior or specialist capacity and with whom the Manager had dealings during the course of his employment.

6.2.2 for one year after the Relevant Date, the Manager shall not directly or indirectly carry on or be engaged, concerned or interested in (i) a substantial company 75% or more of whose assets involve secondary industrial property leasing with national coverage, including but not limited to Industrial Ownership Group and Ashtenne or (ii) in any other secondary industrial property leasing company (in which case such Approvals Director's consent must not be unreasonably withheld).

6.2.3 for the longer of two years after the Relevant Date or an Exit, the Manager shall not do or say anything which is harmful to the goodwill of any member of the Group (as subsisting at the Relevant Date).

6.2.4 after the Relevant Date the Manager shall not either on his own behalf or in conjunction with or on behalf of any person directly or indirectly carry on or be engaged, concerned or interested in or assist any person to use in connection with any business, a name consisting of or including the words "Saville", "Gordon" or "Flexilet" or any name which is intended or is likely to be confused with any such words or any other name used by a member of the Group at the Relevant Date.

6.3 Nothing in clause 6.2 shall prohibit the Manager from being interested in securities which are for the time being quoted, listed or dealt on any public securities market if the Manager's interest in the securities does not exceed 1% of the total of the class of securities in issue.

- 6.4 For the purposes of clauses 6.2.1 and 6.2.2 "Group" shall mean the Company and its subsidiary undertakings as at the Relevant Date for whom the Manager carried out material duties at the Relevant Date or at any time during the twelve months prior to the Relevant Date.
- 6.5 Each undertaking in clause 6.2 constitutes an entirely separate undertaking and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade the remaining undertaking shall continue to bind the relevant Manager.
- 6.6 Each Manager, having obtained professional advice, acknowledges and agrees that the covenants contained in this clause are no more extensive than is reasonable to protect the legitimate interests of the Investors.
- 6.7 While the restrictions contained in clause 6.2 are considered by the parties to be reasonable in all the circumstances, it is agreed that if any restriction shall be adjudged to be void or ineffective for whatever reason but would be adjudged to be valid and effective if part of the wording thereof were deleted, the said restrictions shall apply with such modifications as may be necessary to make them valid and effective.

7. OTHER MATTERS

- 7.1 If a Jersey company offers to replicate the capital structure (save for the maturity of the Loan Notes), shareholdings in the Company and the rights of the shareholders (whether under this Agreement or the Articles of Association) and provided that new loan notes are such as to allow Managers to obtain roll-over relief the parties to this agreement shall take all necessary steps to ensure such offer is accepted and completed.
- 7.2 The Investors and the Company shall treat the Loan Notes as equity for US tax purposes only, but shall, for the avoidance of doubt, treat the Loan Notes as debt for UK tax purposes.
- 7.3 The Managers and the Investors shall consult in good faith with a view to implementing an employee incentivisation scheme, which shall be based on the following principles. No value shall accrue until an Exit. The maximum value dilution shall be an amount equal to 42.857% of the additional value (if any) accruing to the Non-Investor A Ordinary Shares by virtue of Article 7.1, minus any cost to the Group of such scheme (including, but not limited to, any tax or national insurance contributions). The scheme may take the form of new equity, if it is possible to achieve capital gains tax treatment for the beneficiaries without prejudicing the other shareholders. Awards in respect of two-thirds of the scheme shall be determined by the Board; awards for the remaining one-third shall be determined by the Managers. Awards shall be subject to the same transfer restrictions as the A Ordinary Shares and shall lapse if the beneficiary ceases to be an employee or director or non-executive director of the Company or any of its subsidiary undertakings and is not continuing as either a director, non-executive director or employee of the Company or any of its

subsidiary undertakings (except where remaining as an employee solely in order to benefit from the Group's permanent health insurance scheme).

- 7.4 Other than as contemplated by clauses 3, 4 and 7.3, the Company shall not, and the Investors, so far as they are able by the exercise of votes or otherwise under this Agreement or as shareholders, shall procure that the Company shall not issue any new shares for cash unless they have first been offered to the existing shareholders on a pro-rata basis and the time for acceptance of such offer (which shall not be less than 21 days) has expired or the Company has been notified of the acceptance or refusal of every such offer.
- 7.5 The Investors, so far as they are able by the exercise of votes or otherwise under this Agreement or as shareholders, shall procure that and the Company agrees that the special rights attaching to the "A" Ordinary Shares contained in the Articles shall not be varied or amended without the prior written consent of the holders of 75% of the Non-Investor "A" Ordinary Shares other than any such shares which pursuant to Article 10 are non-voting.
- 7.6 The Managers and the Investors acknowledge that the total proposed Loan Note funding of the Company as contemplated in clauses 3 and 4 is based upon estimates of the costs of the transactions contemplated by this Agreement. If these estimates prove to be incorrect such that further funding is required from the shareholders, the Investors shall subscribe for such further amount of Loan Notes as is needed to pay the shortfall of costs. If the estimate of costs is incorrect the Investors shall purchase Loan Notes pro rata from the Managers at par or, as the case may be, the Managers shall subscribe pro rata for further Loan Notes at par, to the extent required so as to bring the aggregate percentage holdings of the Managers of the Loan Notes (after such subscriptions and purchases) to 3.53929 per cent.

8. PROVISION OF INFORMATION

Provision of Information to Investors

- 8.1.1 The Company shall supply each Investor and the Investor Directors the information set out in Part A of schedule 5 within the time frame specified therein.
- 8.1.2 The Company shall supply each Investor and/or the Investor Directors (as the case may be) all information and documents necessary or desirable to enable it to give proper consideration over a reasonable period to any proposed transaction or matter on which its approval or consent is sought.
- 8.2 Each Manager shall use his reasonable endeavours to procure the full and prompt performance by the Company of its obligations under clause 8.1.1 and 8.1.2. Each Manager shall promptly supply each Investor with the information set out in Part B of schedule 5.

Ability to Communicate Information

- 8.3 The Investor Directors may pass any information received from the Company to the Investors.
- 8.4 Each Investor may pass any information received from the Company or the Investor Directors to:
- 8.4.1 any group undertaking of the Investor;
 - 8.4.2 any general partner, trustee or manager of or investor or participant prospective investor or participant in the Investor;
 - 8.4.3 any other Investor and any person to whom any other Investor may pass information;
 - 8.4.4 the Group's bankers and financiers from time to time;
 - 8.4.5 any potential purchaser of shares in or assets of any member of the Group subject to such person having executed a confidentiality undertaking in favour of the Company (for itself and on behalf of each other member of the Group) in a form reasonably acceptable to the Company;
 - 8.4.6 any person to whom it is required to pass such information by law or by any regulatory authority; and
 - 8.4.7 any investment adviser and any other professional adviser (including the auditors and lawyers) of the Investor and any person mentioned in clauses 8.4.1 to 8.4.6.

9. DIRECTORS

9.1 Right of Majority Investors and Managers to Appoint Directors

- 9.1.1 The Majority Investors are entitled from time to time to appoint and remove such number of directors as they shall have notified the Company in writing (the "**Investor Directors**") and to appoint another person in their place. The initial appointment shall be made pursuant to clause 3.1.8. Subsequent appointments and removals shall be made by written notice served on the Company.
- 9.1.2 Those Managers who hold Non-Investor "A" Ordinary Shares (including, for the avoidance of doubt, their transferees under Article 9) are by an agreement in writing of the holders of 50% or more of shares held by them entitled from time to time to appoint one fewer number of directors than those appointed pursuant to clause 9.1.1 (the "**"A" Directors**") and remove any director so appointed and to appoint another person in their place. Notwithstanding the foregoing, the minimum number of Directors who may be so appointed by the Managers and holding office at any time shall be three. The initial

appointment shall be made pursuant to clause 3.1.8. Subsequent appointments and removals shall be made by written notice served on the Company.

- 9.1.3 The Managers shall use their votes so as to procure that the Investor Directors are promptly appointed to the board of directors of any subsidiary undertaking of the Company and to any committee of the board of any member of the Group, as the Investor Director may require from time to time.

9.2 Right of Majority Investors to Appoint an Observer

If the Majority Investors have not exercised their right to appoint the Investor Directors:

- 9.2.1 they shall be entitled from time to time, by notice to the Company, to appoint an observer (the "Observer"), to remove the Observer and to appoint another Observer in his place. The Observer shall have the right to attend all meetings of the directors of any members of the Group. The Observer shall be given all information as a director of the relevant member of the Group (including the Investor Director) would be entitled to receive and to receive that information (including notice of meetings) at the same time as it is provided to the directors of the relevant member of the Group. The Observer shall be entitled to attend and speak at any such meetings but shall not be entitled to vote nor shall the Observer be regarded as an officer of any member of the Group; and
- 9.2.2 any references in this Agreement to consents or approvals being required or given by the Investor Directors shall be deemed to be references to the consent or approval of the Majority Investors and any notice, information, document or other matter or thing required to be given or delivered to the Investor Director shall be given or delivered to the Majority Investors.

9.3 Annual Budget

The Managers shall procure that no later than 30 days before the start of each financial year an annual budget for the following financial year shall be submitted to the Investor Directors for approval together with any working papers used in the preparation of that budget. The budget will include a detailed operating plan, management commentary, and projected balance sheet, profit and loss statement and cashflow statement for the Group on a consolidated basis and such other matters as the Investor Directors may require. There shall be included in the budget and cashflow projections, broken down budgeted details of the amount and nature and timing of all proposed revenue and capital expenditure to be incurred and income to be received by the Group. The Managers shall procure that the Investor Directors are provided promptly with such additional information as each may require for the purposes of his considering the budget. The Investor Directors shall notify their approval of, or disagreement with, the budget within 21 days of its receipt by them or, if later, at the next following board meeting of the Company. The budget as approved, or as varied in line with the

Investor Directors' requirements, as the case may be, shall be adopted by the Company as its annual budget for the following financial year (the "Annual Budget").

10. MATTERS REQUIRING CONSENT

- 10.1 Each of the Managers undertakes to the Investors that he will use his rights and powers as a director, shareholder or otherwise to procure (so far as he is able) that none of the acts specified in schedule 6 shall be carried out without the written consent of such of the Investor Directors as the Majority Investors shall have informed the Company in writing from time to time (the "Approvals Director") (which may, for the avoidance of doubt, be evidenced by them signing the minutes for the board meeting at which the relevant matter was approved).
- 10.2 As a separate covenant, the Company undertakes to the Investors (if and to the extent permitted by law and except to the extent that this constitutes an unlawful fetter on its statutory powers, for which purpose each paragraph of schedule 6 shall be a separate and severable undertaking by the Company) that none of the acts specified in schedule 6 will be carried out by it and it will use its rights as shareholder or otherwise to procure (so far as it is able) that none of the acts specified in schedule 6 are carried out by any other member of the Group without in the case of the acts specified in schedule 6, the written consent of the Approvals Director (which may, for the avoidance of doubt, be evidenced by them signing the minutes for the board meeting at which the relevant matter was approved).

11. DISPOSALS OF SHARES OR LOAN NOTES BY MANAGERS

- 11.1 No Manager shall, and each Manager shall procure that no person connected with him nor the trustees of any trust established by him and set against his name in column 2 of schedule 1 or of any trust to whom he has transferred any "A" Ordinary Shares pursuant to Article 9.2 shall, without the written consent of at least two of the Investor Directors, Dispose of any "A" Ordinary Shares of which he or any such person is the registered holder or the beneficial owner (as the case may be) other than a transfer of the full legal and beneficial interest in such shares in accordance with Article 9.
- 11.2 No Manager shall Dispose of any Loan Notes other than a transfer of the full legal and beneficial interest in such Loan Notes to a person to whom he is permitted to transfer "A" Ordinary Shares in accordance with Article 9, and provided that he procures that such transferee first gives an undertaking to the Investors that it will not Dispose of any of such Loan Notes except as so permitted.

12. NEW SHAREHOLDERS

- 12.1 No shares in the capital of the Company shall be issued or transferred to a person who is not already a party to this Agreement (the "New Shareholder") unless the New Shareholder has executed and delivered a deed of adherence in the form set out in schedule 4.

- 12.2 The form of the deeds of adherence set out in schedule 4 and the requirements of clause 12.1 may be varied in a manner reasonably approved by at least two of the Investor Directors and two of the A Directors.
- 12.3 All executed deeds of adherence shall be delivered to and held by the Company (for itself and the other parties).
- 12.4 An Investor may assign all or any of its rights under this Agreement to a person to whom it transfers shares in the capital of the Company or Loan Notes. Subject thereto, no party may assign, transfer or create any trust in respect of, or purport to assign, transfer or create any trust in respect of, a right or obligation under this agreement without having first obtained the other parties' written consent, which may not be unreasonably withheld or delayed.

13. SERVICE AGREEMENTS

Notwithstanding the provisions of any service agreement between the Manager and any member of the Group, each Manager agrees that the relevant member of the Group is entitled to terminate his service agreement without notice and without compensation if he commits a material breach of his obligations under clauses 8 and 10 (Information/Consent) of this Agreement. Any member of the Group may enforce the terms of this clause 13 subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.

14. ANNOUNCEMENTS

- 14.1 Subject to clause 14.2, no announcement, communication or circular concerning the transactions contemplated by this Agreement shall be made or sent by any party without the written consent of an Investor Director or Approvals Director.
- 14.2 Clause 14.1 does not apply to an announcement, communication or circular:
- 14.2.1 previously consented to, which may be repeated by any of the parties;
 - 14.2.2 required by law, by a rule of a stock exchange or by a governmental authority or other authority with relevant powers to which a party is subject or submits, whether or not the requirement has the force of law provided such announcement, communication or circular shall, so far as practical, be made after consultation with the other parties and after taking into account the reasonable requirements of the other parties as to its timing, content and manner of making or despatch; or
 - 14.2.3 sent to any person to whom a party is entitled to provide financial information pursuant to clause 8.4.
- 14.3 The Company will procure that the names of none of the Investors will appear in any advertising literature or other publicity issued by the members of the Group without the consent of that Investor.

15. COSTS

15.1 At Target Exchange the Company shall pay:

- 15.1.1 all costs and expenses (plus any VAT or overseas equivalent) of the Investors in connection with the negotiation, preparation, execution and performance of this Agreement and all documents referred to in it;
- 15.1.2 the costs and expenses (plus any VAT) of the relevant advisers to Investors incurred in connection with the transactions contemplated by this Agreement and all documents referred to in it in each case in an amount approved by the Investors in writing;
- 15.1.3 the costs and expenses (plus any VAT) of the legal advisers to the Managers incurred in connection with the transactions contemplated by this Agreement and all documents referred to in it in an amount approved by the Investors in writing; and
- 15.1.4 the costs and expenses up to a maximum of £8,000 (plus any VAT) of Smith and Williamson incurred in connection with the transactions contemplated by this Agreement and all documents referred to in it.

16. EXIT

16.1 If the Majority Investors propose an Exit, each of the other parties to this Agreement shall:

- 16.1.1 give such co-operation and assistance as the Majority Investors may reasonably request; and
- 16.1.2 exercise all such rights and powers as such parties may have in relation to the Company (or any other member of the Group) whether as a director, shareholder or otherwise, so as to procure (so far as he is able so to procure) that an Exit is achieved in accordance with such proposal.

16.2 The parties acknowledge that on an Exit:

- 16.2.1 the Investors and the Investor Directors will not give any warranties or indemnities in connection with the Group although each of the Investors will give a warranty as to title to the shares held by it in the capital of the Company and as to capacity; and
- 16.2.2 in view of the opportunity afforded to them by the terms of their participation in the transaction of which this Agreement forms part, those of the Managers as are at that time directors or shareholders of the Company will give such warranties and indemnities as are reasonably requested by the purchaser or the sponsor, as the case may be provided always that the Managers shall be entitled to negotiate with such purchaser or sponsor the scope and content of such warranties and their respective liabilities thereunder.

16.3 The Investors acknowledge that if they agree restrictions on the disposal of their shares in the capital of the Company for a period after Listing, the restrictions will apply to each of them equally.

16.4 The provisions of this Agreement shall terminate with immediate effect on an Exit.

16.5 Each Manager undertakes to each of the Investors that in the event of a Sale or Listing he will (whether or not at the specific request of the Investors) fully reveal to them the details of any agreements, arrangements and understandings pursuant to which he (or any person connected with him) will or may receive any other consideration over and above the equivalent consideration to that which the Investors are receiving.

17. DURATION

17.1 When a Manager ceases to be an employee or director of any member of the Group and he and any person Connected with him and any trust established by or for his benefit ceases to hold any shares in the capital of the Company, the Manager shall also cease to be party to this Agreement except that:

17.1.1 clause 1 (Interpretation), clause 6 (Managers' Undertakings), clause 14 (Announcements), clause 20 (General), clause 21 (Notices) and clause 22 (Governing Law and Jurisdiction) shall continue to bind him; and

17.1.2 his accrued rights and obligations shall not be affected.

17.2 When an Investor ceases to hold shares in the capital of the Company (either directly or through any nominee), the Investor shall cease to be a party to this Agreement except that:

17.2.1 clause 1 (Interpretation), clause 14 (Announcements), clause 20 (General), clause 21 (Notices), clause 22 (Governing Law and Jurisdiction) shall continue to bind it; and

17.2.2 its accrued rights and obligations shall not be affected.

17.3 Termination of this Agreement will not terminate the provisions of clause 1 (Interpretation), clause 14 (Announcements), clause 20 (General), clause 21 (Notices) and 22 (Governing Law and Jurisdiction) or any accrued rights or obligations at the date of termination.

18. SUPREMACY OF THIS AGREEMENT

If there is any conflict or inconsistency between the provisions of this Agreement and the Articles of Association, if requested to do so by the Investors, the parties shall procure that the terms of the Articles of Association are amended so as to accord with the provisions of this Agreement.

19. ENTIRE AGREEMENT

- 19.1 This Agreement and each document referred to in it constitutes the entire agreement and supersedes any previous agreements between the parties relating to the subject matter of this Agreement.
- 19.2 Each party acknowledges and represents that it has not relied on or been induced to enter into this Agreement by a representation, warranty or undertaking (whether contractual or otherwise) given by the other parties.
- 19.3 No party is liable to another party (in equity, contract or tort (including negligence), under the Misrepresentation Act 1967 or in any other way) for a representation, warranty or undertaking that is not set out in this Agreement or any document referred to in this Agreement.
- 19.4 Each of the Managers and the Company acknowledges and represents that it has not relied on or been induced to enter into this Agreement by any representation, warranty or undertaking (whether contractual or otherwise) given by any member of any Investor's Group and that no member of any Investors' Group shall have any liability to any of the Managers or the Company (in equity, contract or tort (including negligence), under the Misrepresentation Act 1967 or in any other way) for any such representation, warranty or undertaking. Any member of an Investor's Group may enforce the terms of this clause 18.4 subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.
- 19.5 For the purposes of this clause 19 and clauses 20.8 and 20.9, the members of an Investor's Group shall comprise:
- 19.5.1 any group undertaking of the Investor;
 - 19.5.2 any general partner, trustee or manager of or investor or potential investor in the fund; and
 - 19.5.3 the Investor's investment adviser.
- 19.6 Nothing in this clause 19 or clause 20.8 shall have the effect of limiting or restricting any liability arising as a result of any fraud.
- 19.7 Nothing in clauses 19 or 20.8 shall constitute any waiver by an Investor of any rights against a member of its Investor's Group.

20. GENERAL

- 20.1 This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original and all of which together evidence the same agreement.
- 20.2 Subject to the provisions of clause 12.2, a variation of this Agreement is only valid if it is in writing and signed by or on behalf of each party provided that Schedule 6 may be

amended in any respect at the written request of the holders of 51% of the "B" Ordinary Shares following reasonable consultation with the Managers.

- 20.3 The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.
- 20.4 The Investors' rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.
- 20.5 Except to the extent that they have been performed and except where this Agreement provides otherwise, the Warranties and the obligations contained in this Agreement remain in force after Completion.
- 20.6 Nothing contained in this Agreement is to be construed as creating a partnership or agency relationship between any of the parties. Persons shall not be deemed to be connected with each other solely because they are parties to this Agreement.
- 20.7 The invalidity, illegality or unenforceability of any provision of this Agreement does not affect the continuation in force of the remainder of this Agreement.
- 20.8 Each Investor and Manager acknowledges and confirms that:
 - 20.8.1 save as expressly set out in this Agreement it is owed no duty of care or other obligation by any member of an Investors Group (other than, in the case of an Investor, a member of its own Investor's Group) or any of the Investors in respect thereof;
 - 20.8.2 insofar as it is owed any such duty or obligation as referred to in clause 20.8.1 above (whether in contract, tort or otherwise) (save as expressly set out in this agreement) by any Investor or any member of an Investors Group (other than, in the case of an Investor, a member of its own Investor's Group) it hereby waives, to the extent permitted by law, any rights which it may have in respect of such duty or obligation.
- 20.9 Any member of an Investor's Group may enforce the terms of clause 20.8 subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.
- 20.10 All obligations and undertakings in this Agreement are several and not joint or joint and several.
- 20.11 Every warranty or undertaking in this Agreement which is expressed to be given to the Investors is given to each Investor separately.
- 20.12 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement except where

expressly provided otherwise but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

- 20.13 Each Manager and (in respect only of obligations to be performed by the Company and/or Bidco pursuant to clauses 3 and 4) each Investor shall (so far as he is lawfully able) use his or its rights and powers, as the case may be, as a director of any member of the Group and/or as a shareholder of the Company to give effect to the provisions of this Agreement and the Articles of Association and, without limitation, to ensure the prompt registration and issue of certificates for shares and Loan Notes where the relevant transfer has been made in compliance with this Agreement, the Articles of Association and the Loan Note Instrument and has, in the case of a transfer of shares, been duly stamped.
- 20.14 The Company shall not be bound by any provision of this Agreement to the extent that it would constitute an unlawful fetter on any statutory power of the Company, but that provision shall remain valid and binding as regards the other parties to this Agreement to which it is expressed to apply.
- 20.15 Any Investor whose shares in the Company are held by a nominee who is not a party to this Agreement undertakes to the other parties to procure that the nominee observes the provisions of this Agreement which would be binding on it if it were named in this Agreement as an Investor.

21. NOTICES

- 21.1 Any notice or other communication under or in connection with this Agreement (a "Notice") shall be:

21.1.1 in writing; and

21.1.2 delivered personally or sent by first class post pre-paid recorded delivery (and air mail if overseas) or by fax to the party due to receive the Notice at its address set out in this Agreement or such other address as a party may specify by not less than 7 days notice in writing to the others received before the Notice was despatched.

- 21.2 Unless there is evidence that it was received earlier, a Notice is deemed given if:

21.2.1 delivered personally, when left at the address referred to in clause 21.1;

21.2.2 sent by mail other than air mail, two Business Days after posting it; and

21.2.3 sent by air mail, six Business Days after posting it.

22. GOVERNING LAW AND JURISDICTION

- 22.1 This Agreement is governed by English law.

- 22.2 The courts of England have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any dispute arising from or connected with this Agreement

(respectively, "Proceedings" and "Disputes") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.

- 22.3 Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum.
- 22.4 The parties agree that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on the parties in accordance with clause 21 (Notices). These documents may, however, be served in any other manner allowed by law. This clause applies to all Proceedings wherever started.

SCHEDULE 1

THE MANAGERS

(1) Name and Address	(2) Trust Established by Manager	(3) Target Exchange Shares	(4) Bidco Exchange Shares	(5) No. of "A" Ordinary Shares of 1p pursuant to exchange	(6) No. of "A" Ordinary Shares of 1p each pursuant to cash purchase	(7) Loan Notes for cash	(8) Bidco Exchange Loan Notes
Roger William Carey Instow, Burtons Way, Chalfont St Giles, HP8 4BP	None	950,910	950,910	164,655	0	0	1,151,807
John Stephen Philip Keogan Fox Cottage, Market Square, Kineton, Warwickshire	None	81,755	81,755	14,156	66,213	463,174	99,025
Ian Charles Melia 3 The Oaks, Downs Avenue, Epsom, Surrey KT18 5HH	None	21,163	21,163	3,664	105,241	736,184	25,633

SCHEDULE 2
THE INVESTORS

(1) Name and Address	(2) No of "A" Shares	(3) No. of "B" Shares	(4) Amount of Loan Notes
Morgan Stanley Real Estate Fund IV International - T, L.P. c/o MSREF IV International-GP, L.L.C. 1585 Broadway New York NY 10036 USA	707,579	2,472,818	21,854,161
Morgan Stanley Real Estate Investors IV International, L.P. c/o MSREF IV International-GP, L.L.C. 1585 Broadway New York NY 10036 USA	70676	246,997	2,182,904

(1) Name and Address	(2) No of "A" Shares	(3) No. of "B" Shares	(4) Amount of Loan Notes
Morgan Stanley Real Estate Fund IV Special International, L.P. c/o MSREF IV International-GP, L.L.C. 1585 Broadway New York NY 10036 USA	427139	1,492,748	13,192,540
MSREF IV TE Holding, L.P. c/o MSREF IV International-GP, L.L.C. 1585 Broadway New York NY 10036 USA	940,677	3,287,437	29,053,575
TOTAL	<u>2,146,071</u>	<u>7,500,000</u>	<u>66,283,180</u>

SCHEDULE 3
WARRANTIES

In this Schedule:

"Accountants' Report" means the report on Target's Group by KPMG in the agreed form;

"Business Plan" means the business plan for the Group in the agreed form;

"Legal Review Report" means the report on Target's Group by the Investors' Solicitors in the agreed form;

"Managers' Questionnaires" means the signed questionnaires completed by each of the Managers in the agreed form;

"Reports" means the Accountants Report and Legal Review Report;

1. Information

1.1 Reports

So far as the Manager is aware, all material facts contained in the Reports are true and accurate in all material respects and the Manager believes that the statements of opinion or intention of the Managers contained in the Report are reasonable. The Manager is not aware of any matter, fact or circumstance which is likely to render either of the Reports misleading in any material respect.

1.2 Business Plan

1.2.1 The Business Plan prepared by or on behalf of the Investors:

- (a) is honestly believed by the Manager to be fair and reasonable in all material respects; and
- (b) so far as the Manager is aware, is based upon assumptions which have been carefully considered by him and which are honestly believed by the Manager to be fair and reasonable.

1.2.2 So far as the Manager is aware, none of the statements, opinions, forecasts, budgets or projections contained in the Business Plan, nor the assumptions (to the extent the Manager is aware of such assumptions) on which they are based, have been disproved or ought to have been reviewed in the light of any events or circumstances which have arisen or become known to the Manager since the preparation of the Business Plan.

1.3 Financing Documents

The Manager has carefully reviewed the Financing Documents and to the best of the Manager's knowledge, information and belief neither the Target nor its subsidiaries are

and immediately following Target Exchange will not be, in breach of any provision of the *Financing Documents*.

2. The Managers

- 2.1 There are no existing contracts or arrangements to which any member of Target's Group is a party and in which the Manager and/or, so far as he is aware, any of the other Managers and/or any person who is a connected person with him or any of them is directly or indirectly interested other than the Managers existing service agreements, which are to be replaced on Completion by the service agreements in the agreed form.
- 2.2 The Manager does not have and, so far as he is aware, none of the other Managers or any person connected with him or with any of the Managers has, any direct or indirect interest which could conflict with the affairs of the Group.
- 2.3 The Manager is not and, so far as he is aware, none of the other Managers is, engaged in any business, trade or occupation (whether as adviser, director, employee, consultant, manager or otherwise) other than that of the Target's Group.
- 2.4 There is no loan or debt owing by or to the Manager or, so far as he is aware, any person connected with him to or by a member of Target's Group.
- 2.5 There are no contracts, duties, obligations or arrangements to which the Manager (or, so far as he is aware, any person in whom the Manager has an interest) is a party, or subject or bound which could:
 - (a) adversely affect the ability of the Manager to perform any of his obligations under this Agreement or under the service agreement to be entered into by him upon Completion or to be an officer of, or interested in shares of, the Company; or
 - (b) prevent or restrict any member of the Group from doing business with any person which is or might be a tenant of the Company; or
 - (c) involve any member of the Group in any material liability other than in the ordinary course of business.
- 2.6 The answers given by the Manager in his Manager's Questionnaire are true, accurate and not misleading in any material respect.

3. Brokerage or Commissions

There is no agreement, arrangement or understanding under which the Manager or, so far as he is aware, any other Manager or any person who is a connected person with any Manager is to receive or could receive from any person and, to the best of the Manager's knowledge, information and belief, no person is entitled to receive or could receive from any member of Target's Group, any finder's, success or other fee, brokerage, commission or other payment (whether in cash or in kind) in connection

with this Agreement, the Offer or any of the matters contemplated by or referred to in those agreements.

SCHEDULE 4
DEED OF ADHERENCE

THIS DEED OF ADHERENCE is made on [] 200[]

BY [] of [] (the "Covenantor") in favour of the persons whose names are set out in the schedule to this Deed and is **SUPPLEMENTAL** to the Shareholders' Agreement dated [] 200[] made by (1) Chamberflame Limited, (2) Chambercroft Limited and others, (3) Morgan Stanley Real Estate Fund IV International - T, L.P. and others and (4) Roger Carey and Others (the "Agreement").

THIS DEED WITNESSES as follows:

1. Defined terms used in this Deed of Adherence shall have the same meaning as in the Agreement.
2. The Covenantor confirms that he/it has been given and has read a copy of the Agreement and covenants with each person named in the schedule to this Deed to perform and be bound by all the terms of the Agreement, except clauses 2 (Conditions), 3 (Completion), and 4 (Warranties), as if the Covenantor was an original party to the Agreement and was named in it as a Manager/Investor.
3. The address of the Covenantor for the purposes of clause 20 (Notices) of the Agreement is [as above] [as follows:

[

]

Fax No: []

(attention of: [])

4. Any other shareholder of the Company may enforce the terms of this deed of adherence subject to and in accordance with the provisions of the Contracts (Rights) of Third Parties Act 1999.
5. This Deed is governed by English law.

IN WITNESS WHEREOF this Deed has been executed by the Covenantor and is intended to be and is hereby delivered on the date first above written.

SCHEDULE

[Parties to Agreement including those who have executed earlier deeds of adherence].

SCHEDULE 5
BUSINESS INFORMATION

PART A

1. The Group's group accounts (as that term is used in section 227 of the Act) and cash flow statement for each financial year and the auditors' report on those accounts, the directors' report for that year and the notes to those accounts and the auditors' internal recommendations report as soon as practical, and at the latest within 90 days after the end of that financial year.
2. No later than 30 days before the start of each financial year, the Annual Budget for that financial year approved by the Investor Directors and (within seven days of its adoption by the Board pursuant to clause 7.4) any revision to the Annual Budget approved by the Investor Director.
3. Monthly management accounts and further information in respect of each calendar month, such accounts and further information to include:
 - 3.1 a balance sheet, profit and loss account and cashflow statement;
 - 3.2 a cashflow forecast for the following three months;
 - 3.3 a comparison of actual performance against budget and against the same period during the previous financial year;
 - 3.4 status report of ongoing lease negotiations including, new leases, renewals, and rent reviews;
 - 3.5 a report on any breach of environmental compliance;
 - 3.6 disposition schedule of any properties that are available for sale;
 - 3.7 details of material actual and threatened litigation;
 - 3.8 market report for each major region comprising of comparable leasing and capital events;
 - 3.9 ongoing major capital expenditure report including a comparison of actual spending against that in the Annual Budget; and
 - 3.10 such additional information as the Investor Directors may reasonably require.

The monthly management accounts will:

- (a) be supplied as soon as practical, and at the latest within 21 days after the end of each month;
- (b) be prepared on a consolidated basis for the Group; and

be in such form as the Investor Directors may reasonably require.

4. A statement reconciling the cumulative monthly management accounts up to the end of each financial year with the group accounts for such year at the same time as the group accounts are distributed.
5. Any information to be supplied by the Company pursuant to the Financing Documents to the agent or lenders to the Group at the same time as such information is supplied to such persons.
6. Such other financial or management information relating to the Group, its activities, affairs, plans and prospects as any Investor may reasonably request from time to time within such time frame as such Investor may reasonably require.
7. All financial statements and reports will be prepared in accordance with generally accepted accounting principles in England and Wales in accordance with the reasonable instructions of the Investor Directors. This will include all information required to enable the Group to report the financial position as a result of operations in accordance with generally accepted accounting principles in the United States of America, and provide all information necessary to allow for the filing of tax returns in the United States of America.

Part B

8. Promptly following the Manager becoming aware of the same:-
 - 8.1 such information which the Manager may have concerning any event which is not in the public domain and which is likely to or does materially affect the business or financial position or prospects of the Group or that of any member of the Group;
 - 8.2 such information which the Manager may have concerning any indication of interest (whether or not in writing) in respect of any offer for any shares in the Company or any of its subsidiaries or any substantial part of the business of the Group or for business of any member of the Group;
 - 8.3 details of any actual or threatened litigation, claim or proceedings with which any member of the Group is involved or may become involved (other than in the ordinary course of business); and
 - 8.4 any matter, fact or circumstance which may constitute a breach by any party of this Agreement or the Acquisition Agreement or any agreement or document referred to in either of those agreements or which requires a decision to be made in relation to any such agreement or document.

SCHEDULE 6
MATTERS REQUIRING CONSENT

PART A
Consent of the Approvals Director

Share Capital and Distributions

1. The variation, creation, increase, reorganisation, consolidation, sub-division, conversion, reduction, repurchase or alteration of the authorised or issued share or loan capital of any member of the Group or the variation, modification or abrogation of any rights attaching to any such share or loan capital except, in each case, as may be expressly required by this Agreement.
2. The entry into or creation by any member of the Group of any agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the creation, allotment, issue, transfer, redemption or repayment of, a share in the capital of any member of the Group (including, without limitation, an option or right of pre-emption or conversion) except, in each case, pursuant to this Agreement.
3. Other than as expressly required by the Articles of Association, the reduction, capitalisation, repayment or distribution of any amount standing to the credit of the share capital, share premium account, capital redemption reserve or any other reserve of any member of the Group, or the reduction of any uncalled liability in respect of partly paid shares of the Company.
4. The recommendation, declaration, making or distribution of any dividend or distribution by any member of the Group.

Memorandum and Articles of Association

5. The alteration of the memorandum or articles of association (or equivalent documents) of any subsidiary undertaking of any Group Company;

Winding Up

6. The taking of steps to:
 - 6.1 wind up or dissolve any subsidiary undertaking of any Group Company; or
 - 6.2 obtain an administration order in respect of any subsidiary undertaking of the Company; or
 - 6.3 invite any person to appoint a receiver or receiver and manager of the whole or part of the business or assets of any subsidiary undertaking of the Company; or
 - 6.4 make a proposal for a voluntary arrangement under section 1 of the Insolvency Act 1986 in respect of any subsidiary undertaking of the Company; or

- 6.5 obtain a compromise or arrangement under section 425 of the Act in respect of any subsidiary undertaking of the Company.

Accounting Reference Date, Accounting Policies and Practices

7. The alteration of the accounting reference date of any member of the Group or the alteration of the accounting policies or practices or tax strategies of any member of the Group except as required by law or to comply with a new accounting standard.
8. The removal or appointment of auditors or other advisers of any member of the Group.

Major Disposals and Acquisitions

9. The disposal or acquisition by any means (including in the case of an acquisition or disposal by lease) by any member of the Group of any asset or the whole or a significant part of an undertaking or a subsidiary undertaking in each case at a price or with a value of £5,000,000 unless such item is (i) in the approved Annual Budget and (ii) approved by Chief Executive Officer.

Leasing Activity

10. All leasing proposals, including proposals for new leases, renewal leases, and rent reviews, which are (i) below the ERV approved in the annual operating budget, and (ii) are in excess of 5% of the overall building area of the estate.

Material Changes in Nature of Business

11. Any material change (including cessation) in the nature of the business of any member of the Group.

Directors and Officers

12. The appointment or removal of any director (or similar officer) of the Company or any variation in the remuneration or other benefits or terms of service of any Company director. For the avoidance of doubt, the appointment or removal of an A Director pursuant to Clause 9.1.2 does not require Investor consent.

Senior Employees

13. The appointment or termination of employment of any employee of or any other person whose services are to be provided to any member of the Group whose base salary or the payment for whose services is to be or is in excess of £75,000 a year or any variation of the remuneration or other benefits or terms of employment or engagement of any such employee.

Related Party Contracts

14. The entry into, termination or variation of any contract or arrangement between (1) any member of the Group and (2) a Manager or a person who in relation to a Manager is a Connected person, including the variation of the remuneration or other benefits under

such a contract or arrangement or the waiver of any breach of such a contract or arrangement or the making of any bonus payment or the provision of any benefit by any member of the Group to or to the order of a Manager or to a person who in relation to a manager is a Connected Person, other than the making of a payment or the provision of a benefit pursuant to and in accordance with the service agreement of such Manager executed pursuant to clause 3.1.7 .

Employee Benefits

15. The establishment of any pension, retirement, death or disability or life assurance scheme or any employees share scheme or employee trust or share ownership plan or shadow share option scheme or other profit sharing, bonus or incentive scheme in each case for any of the directors, employees or former directors or employees (or dependants of any such person) of any member of the Group, the variation of the terms or rules of any such new or existing scheme or the appointment and removal of any trustees or manager of such a scheme or the allocation of options under any such scheme.

Committees

16. The delegation by the directors of any member of the Group of any of their powers to a committee.

Policy

17. Any changes to the Group's current risk management strategy, health and safety policy and environmental policy.

Expenditures

18.1 Property Expenses

Expenditure outside the scope of the Annual Budget on an individual property (estate) level for each class of expenditure with the exception that the Group can commit to expenditure in respect of:

- (a) Agents' letting fees and lawyers letting and renewal fees at normal commercial rates;
- (b) Void refurbishment costs of:
 - (i) Less than £25,000 in respect of an individual project; or
 - (ii) More than £25,000 but not greater than the approved budget rate plus 10% for that property or, if no expenditure had been budgeted for that property, not greater than the budgeted rate for the region plus 10%.
- (c) Marketing and other professional fees up to a maximum of 10% above budget.
- (d) Capital Expenditure up to a maximum of 10% above budget for a project.

18.2 Admin Expenses

Expenditure in excess of 10% of any budgeted line item on a cumulative basis for the year.

Agreements Outside the Ordinary Course of Trading

19. The entry into by any member of the Group of any contract, commitment or arrangement outside the ordinary course of trading or otherwise than at arm's length or of any contract or arrangement which is, or is likely to be, material in the context of the Group as a whole or the making of any payment by any Group Company other than on an arms length basis.

Sale and Lease-back Arrangements

20. The entry into by any member of the Group of any material agreement or arrangement for the sale and lease-back of any assets.

Factoring of Debts

21. The factoring of book debts of any member of the Group.

Hire Purchase etc.

22. The entry into by any member of the Group of any hire purchase, credit or conditional sale, rental or leasing agreement the total capital cost of which, or when aggregated with all other such commitments already entered into by the Group, will be at any time in excess of the amount provided for in the Budget.

Joint Ventures

23. The entry into by any member of the Group of any partnership or joint venture arrangement with any person.

Encumbrances and Guarantees

24. The creation of any Encumbrance over any uncalled capital or any asset of any member of the Group (including but not limited to the giving of any warranty or indemnity in relation to any property) or the giving of any guarantee, indemnity or security or the entry into of any agreement or arrangement having a similar effect by any member of the Group in respect of the obligations of any person or the voluntary assumption by any member of the Group of any liability, whether actual or contingent, in respect of any obligation of any person (other than in each such case a wholly owned subsidiary undertaking of the Company) other than pursuant to the Finance Documents or otherwise than in the ordinary course of trading.

Borrowing

25. The incurring by any member of the Group of, or the entry by any member of the Group into any agreement or facility to obtain, any borrowing, advance, credit or

financial accommodation or any other indebtedness or liability in the nature of borrowing, other than pursuant to the Finance Documents or the Loan Note Instrument except for normal trade credit.

Applications for finance

26. The making by any member of the Group of submission of an application to or submission of any business plan or other information to any financial institution or other third party with a view to obtaining capital or any financial facility.

Loans

27. The lending of money or granting of credit by any member of the Group except:
- 27.1 to any employee of the Group in amounts not exceeding £5,000; or
 - 27.2 credit given in the normal course of trading; or
 - 27.3 to a wholly owned subsidiary.

Insurance

28. Any material alteration to any of the insurance policies of any member of the Group.

Donations

29. The making by any member of the Group of any political contributions whatsoever or of any charitable contributions not contemplated in the Annual Budget.

New Subsidiaries, Branches and Investments

30. The incorporation of a new subsidiary undertaking of the Company or the acquisition by any member of the Group of an interest in any shares in the capital of any body corporate or in any instrument convertible into the share capital of any body corporate or the establishment of a branch outside the United Kingdom or the acquisition of any investment in another company, business, undertaking or concern; including, without limitation, the acquisition of any share or marketable security which is traded on a recognised investment exchange (as defined by section 285 FSMA) or any other public securities market.

Mergers and Amalgamations

31. The entry into by any member of the Group of any amalgamation, demerger, merger or corporate reconstruction.

Expansion Outside the Group

32. The expansion, development or evolution of the Group or its business except through the Company or a wholly owned subsidiary undertaking of the Company.

Litigation

33. The instigation and subsequent conduct or the settlement of any litigation or arbitration or mediation proceedings by any member of the Group which is outside the ordinary course of business and where the amount claimed exceeds (i) £500,000 or (ii) 5% of the value of the property to which the proceedings relate.

Budget

34. Any alteration to the Annual Budget for the relevant financial year.

Exit

35. The appointment or instruction by any member of the Group of any corporate finance adviser in connection with a proposed Exit or otherwise proceeding with a Listing or the appointment of any other financial advisers (other than advisers in relation to matters within the normal course of trading) by any member of the Group.
36. Any member of the Group directly or indirectly entering into or being involved in any discussion or negotiation with any third party who is interested in acquiring shares in the capital of the Company or a substantial part of the business or assets of the Group (a "Prospective Purchaser") or the making of any information available in connection with the Group to any Prospective Purchaser.

Agreements

37. The entry into by any member of the Group of any agreement or binding commitment to do any of the actions described in Schedule 6.

Announcements

38. The making by or on behalf of any member of the Group of an announcement in relation to any of the actions described in Schedule 6 or in relation to a proposal to take any such action.

Brymbo

39. The entry into by any member of the Group of any commitment or obligation relating to land at Brymbo, Wales.

SCHEDULE 7
PART A
DETAILS OF COMPANY
IMMEDIATELY AFTER COMPLETION

AUTHORISED AND ISSUED SHARE CAPITAL

	Authorised	Issued
"A" Ordinary Shares	2,500,000	2,500,000
"B" Ordinary Shares	7,500,000	7,500,000

MEMBERS

	Number of "A" Ordinary Shares	Number of "B" Ordinary Shares	Amount of Loan Notes
Managers	353,929	0	2,475,823
Investors	2,146,071	7,500,000	66,283,180
Total	<hr/> 2,500,000 <hr/>	<hr/> 7,500,000 <hr/>	<hr/> 68,759,003 <hr/>

DIRECTORS

Name	Address
Matthew Mansfield Horgan	5 Sydney Place, London SW7 3NN
John Timothy Morris	14 Brompton Square, London SW3 2AA
Paula Schaefer	34 Shawfield Street, London SW3 4BD
John Henry	15 Oakley Street, London SW3 5NT

Roger William Carey

**Instow, Burtons Way, Chalfont St
Giles, HP8 4BP**

John Stephen Philip Keogan

**Fox Cottage, Market Square, Kineton,
Warwickshire**

Ian Charles Melia

**3 The Oaks, Downs Avenue, Epsom,
Surrey KT18 5HH**

AUDITORS

KPMG

ACCOUNTING REFERENCE DATE

31 December

PART B
DETAILS OF BIDCO
IMMEDIATELY AFTER COMPLETION

AUTHORISED AND ISSUED SHARE CAPITAL

	Authorised	Issued	Sole Shareholder
Ordinary Shares			BondCo

DIRECTORS

Name	Address
Matthew Mansfield Horgan	5 Sydney Place, London SW7 3NN
John Timothy Morris	14 Brompton Square, London SW3 2AA
Paula Schaefer	34 Shawfield Street, London SW3 4BD
John Henry	15 Oakley Street, London SW3 5NT
Roger William Carey	Instow, Burtons Way, Chalfont St Giles, HP8 4BP
John Stephen Philip Keogan	Fox Cottage, Market Square, Kington, Warwickshire
Ian Charles Melia	3 The Oaks, Downs Avenue, Epsom, Surrey KT18 5HH

AUDITORS

KPMG

ACCOUNTING REFERENCE DATE

31 December

EXECUTED by the parties:

MORGAN STANLEY REAL ESTATE)
FUND IV INTERNATIONAL-T, L.P.)
By: **MSREF IV International-GP, L.L.C.,**)
its General Partner

By:)
Name:)
Title: Authorized Signatory)

MORGAN STANLEY REAL ESTATE)
INVESTORS IV INTERNATIONAL, L.P.)
By: **MSREF IV International-GP, L.L.C,**)
its General Partner

By:)
Name:)
Title: Authorized Signatory)

MORGAN STANLEY REAL ESTATE FUND)
IV SPECIAL INTERNATIONAL, L.P.)
By: **MSREF IV International-GP, L.L.C.,**)
its General Partner)

By:)
Name:)
Title: Authorized Signatory)

MSREF IV TE Holding, L.P.)
By: **MSREF IV TE Holding-GP, L.L.C., its**)
General Partner)
By: **Morgan Stanley Real Estate Fund IV**)
International-TE, L.P., its Sole Member)
By: **MSREF IV International-GP, L.L.C.,**)
its General Partner)

By:)
Name:)
Title: Authorized Signatory)

Signed by and
on behalf of
CHAMBERFLAME LIMITED

) *John Timothy Morris*
)
)

Signed by and
on behalf of
CHAMBERCROFT LIMITED

) *John Timothy Morris*
)
)

Signed by
ROGER CAREY

) *R. Carey*
)

Signed by
JOHN KEOGAN

) *John Keogan*
)

Signed by
IAN MELIA

) *I. Melia*
)

EXECUTED by the parties:

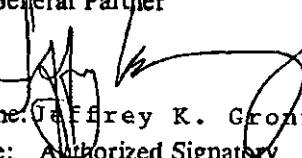
MORGAN STANLEY REAL ESTATE)
FUND IV INTERNATIONAL-T, L.P.)
By: MSREF IV International-GP, L.L.C.,)
its General Partner

By: )
Name: Jeffrey K. Gronning)
Title: Authorized Signatory)

MORGAN STANLEY REAL ESTATE)
INVESTORS IV INTERNATIONAL, L.P.)
By: MSREF IV International-GP, L.L.C.,)
its General Partner

By: )
Name: Jeffrey K. Gronning)
Title: Authorized Signatory)

MORGAN STANLEY REAL ESTATE FUND)
IV SPECIAL INTERNATIONAL, L.P.)
By: MSREF IV International-GP, L.L.C.,)
its General Partner

By: )
Name: Jeffrey K. Gronning)
Title: Authorized Signatory)

MSREF IV TE Holding, L.P.)
By: MSREF IV TE Holding-GP, L.L.C., its)
General Partner)
By: Morgan Stanley Real Estate Fund IV)
International-TE, L.P., its Sole Member)
By: MSREF IV International-GP, L.L.C.,)
its General Partner)

By: )
Name: Jeffrey K. Gronning)
Title: Authorized Signatory)