

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the "**prospectus**") and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF TESCO PROPERTY FINANCE 2 PLC. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE PROSPECTUS IS CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

The prospectus has been delivered to you on the basis that you are a person into whose possession the prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, (d) you have treated the contents of the prospectus confidentially and you have not duplicated, distributed, forwarded, transferred or otherwise transmitted the prospectus or any other presentational or other materials concerning this offering (including electronic copies thereof) to any persons within the United States and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by you, (e) you have made your own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the securities of Tesco Property Finance 2 Plc and (f) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

The prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Tesco Property Finance 2 Plc nor Goldman Sachs International nor any person who controls either of them nor any director, officer, employee nor agent of either of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from Goldman Sachs International.

**Tesco Property Finance 2 Plc**  
(incorporated in England and Wales with limited liability under registration number 7004310)  
**£564,500,000 Secured 6.0517 per cent. Bonds due 13 October 2039**  
(Issue Price: 100 per cent.)

---

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). The Prospectus has been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**") as competent authority under the Prospectus Directive. The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the £564,500,000 Secured 6.0517 per cent. bonds due 13 October 2039 (the "**Bonds**") of Tesco Property Finance 2 Plc (the "**Issuer**") to be admitted to the Official List and trading on its regulated market. The Bonds will be issued on 23 September 2009 or such later date as may be agreed by the Issuer, Goldman Sachs International (the "**Lead Manager**") and HSBC Corporate Trustee Company (UK) Limited (the "**Bond Trustee**", which expression shall include its successors and assignees) (the "**Closing Date**"). The primary source of funds for the payment of principal and interest on the Bonds will be the right of the Issuer to receive interest and principal repayments and (in respect of the first Loan Interest Payment Date) a one-off fee payable under the intercompany loan (the "**Partnership Loan**") made by the Issuer to The Tesco Atrato Limited Partnership (the "**Partnership**"), payments from the Partnership under the swap agreement between the Issuer and the Partnership (the "**Partnership Swap Agreement**") and payments from Tesco Plc (the "**Issuer Swap Provider**") under the swap agreement between the Issuer and the Issuer Swap Provider (the "**Issuer Swap Agreement**"). The Partnership's primary source of funds will be its rights to receive rental payments, in respect of a portfolio of retail stores and distribution centres, from Tesco Stores Limited or Tesco Property Nominees (No. 5) Limited and Tesco Property Nominees (No. 6) Limited as tenants (the "**Occupational Tenants**") and guaranteed by Tesco Plc (the "**Occupational Tenant Guarantor**") and to receive payments from the Issuer under the Partnership Swap Agreement.

The Bonds will initially be represented by a temporary global bond in bearer form (the "**Temporary Global Bond**"), without coupons or talons, which will be deposited with a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), on the Closing Date. The Temporary Global Bond will be exchangeable not earlier than 40 days after the Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a permanent global bond representing the Bonds (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, the "**Global Bonds**"), in bearer form, without coupons or talons, which will also be deposited with the Common Depository on the Closing Date. Save in certain limited circumstances, bonds in definitive form will not be issued in exchange for the Global Bonds.

Interest on the Bonds is payable by reference to successive interest periods (each a "**Bond Interest Period**"). Interest will be payable quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year commencing on the Bond Interest Payment Date occurring on 13 January 2010 provided that (i) the first Bond Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Bond Interest Payment Date occurring on 13 January 2010 (ii) the final Bond Interest Payment Date will occur on 13 October 2039 (the "**Final Maturity Date**") and (iii) the final Bond Interest Period will commence on (and include) the Bond Interest Payment Date falling on 13 July 2039 and end on (but exclude) the Bond Interest Payment Date falling on 13 October 2039. Interest on the Bonds will accrue at an annual rate of 6.0517 per cent. Payments of interest in respect of the Bonds are further described herein and, in particular, in Condition 4 (Interest) of the terms and conditions of the Bonds reproduced herein in the section entitled "**Terms and Conditions of the Bonds**" (the "**Conditions**").

The Bonds will mature on the Final Maturity Date unless previously redeemed in accordance with the Conditions. Prior to the service of a Bond Acceleration Notice, the Bonds shall be repaid in instalments on each Bond Interest Payment Date in accordance with the amortisation schedule in Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part). In addition to repayment of the Bonds on the Final Maturity Date, the Bonds will be subject to mandatory redemption and/or optional redemption in whole or in part before the Final Maturity Date in certain 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 Bonds, payments of interest on, and principal and premium (if any) of, the Bonds will be made subject to any such withholding or deduction, without the Issuer, the Partnership, the Occupational Tenants or the Occupational Tenant Guarantor being obliged to pay any additional or further amounts as a consequence thereof.

The Bonds will be limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It should be noted, in particular, that the Bonds will not be obligations of, and will not be guaranteed by, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Depot Propco, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Lead Manager, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Paying Agents, the Account Bank, the Nominees Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider, the Issuer/Issuer Holdco Corporate Services Provider, Tesco or any other member of the Tesco Group (each as defined under "**The Parties**"). The proceeds of the issue of the Bonds will be, *inter alia*, on-lent to the Partnership. The resulting indebtedness of the Partnership will be secured over all of the assets and undertaking of each of the Partnership, the General Partner, the Nominees, Nominees Holdco and Depot Propco, all as more particularly described below. The Bonds will be secured over all of the assets and undertaking of the Issuer.

The Bonds are expected on issue to be assigned an "A3" rating by Moody's Investors Service Limited ("**Moody's**"), an "A-" rating by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") and an "A-" rating by Fitch Ratings Ltd. ("**Fitch**" and, together with Moody's and S&P, 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.

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

---

**Sole Arranger and Lead Manager**  
**Goldman Sachs International**

Prospectus dated 21 September 2009

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 accuracy of such information.

Each of the Partnership, the General Partner, the Tesco Limited Partner, the JPUT Limited Partner, Nominees Holdco, Nominee No. 1, Nominee No. 2, Depot Propco and Tesco accepts responsibility for the information concerning itself contained in the sections entitled, "*The Tesco Atrato Limited Partnership (The Partnership)*", "*Tesco Atrato (GP) Limited (The General Partner)*", "*Tesco Atrato (1LP) Limited (The Tesco Limited Partner)*", "*Mourant Property Trustees Limited (The JPUT Limited Partner)*", "*Tesco Atrato (Nominee Holdco) Limited (Nominees Holdco)*", "*Tesco Atrato (Nominee 1) Limited (Nominee No. 1)*", "*Tesco Atrato (Nominee 2) Limited (Nominee No. 2)*", "*Tesco Atrato Depot Propco Limited (Depot Propco)*" and "*Tesco Plc (Tesco)*", respectively. To the best of each such party's knowledge and belief (having taken all reasonable care to ensure that such is the case) the information concerning itself in the relevant section is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

The auditors report and audited annual financial statements for the financial year ended 28 February 2008 and 28 February 2009 in respect of Tesco Plc (which have been filed with the UK Financial Services Authority under the Listing, Prospectus, Disclosure and Transparency Rules) shall be incorporated in, and form part of, this Prospectus. This Prospectus is to be read in conjunction with such auditors report and audited annual financial statements and construed on the basis that they are incorporated in, and form part of, this Prospectus.

Cushman & Wakefield LLP accepts responsibility for the Valuation Report contained in this Prospectus. To the best its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the Valuation Report is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

No person is or has been authorised in connection with the issue and sale of the Bonds 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, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Depot Propco, Tesco, any other member of the Tesco Group, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Lead Manager, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Paying Agents, the Account Bank, the Nominees Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider or the Issuer/Issuer Holdco Corporate Services Provider. Neither the delivery of this document nor any sale or allotment made in connection with the offering of any of the Bonds shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Depot Propco, Tesco, any other member of the Tesco Group, the Issuer Swap Provider, the Cash Manager, the Paying Agents, the Account Bank, the Nominees Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider or the Issuer/Issuer Holdco Corporate Services Provider 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 Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and include Bonds in bearer form that are subject to U.S. tax law requirements. The Bonds 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*") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered for sale outside the United States in accordance with Regulation S under the Securities Act. See "*Subscription and Sale*".

Other than the approval of this document as a prospectus by the Financial Regulator, no action has been or will be taken to permit a public offering of the Bonds 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 Bonds 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 Bonds and distribution of this document, see "*Subscription and Sale*". 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 Bonds. 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 Bonds 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 issue of the Bonds, Goldman Sachs International (in its capacity as "**Stabilisation Manager**") or any person acting for it may over-allot the Bonds (provided that the aggregate principal amount of the Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the Bonds) or effect transactions with a view to supporting the market price of the Bonds at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilisation Manager (or any agent of the Stabilisation Manager) to do this. Such stabilising, may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Bonds and 60 days after the date of allotment of the Bonds and must be brought to an end after a limited period in compliance with applicable laws, regulations and rules.*

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. An index of defined terms used herein appears at the back of this document.

## CONTENTS

Transaction Overview.....	1
Key Characteristics of the Bonds.....	7
The Parties.....	8
The Bonds.....	14
Risk Factors.....	19
The Property Portfolio.....	38
Geographic Distribution of the Property Portfolio.....	41
Summary of Transaction Documents.....	42
Substitution, Alteration and Disposal of Mortgaged Properties.....	74
Resources available to the Partnership and the Issuer.....	84
Use of Proceeds.....	100
Tesco Property Finance 2 Plc (The Issuer).....	101
Atrato Issuer Holdco Limited (Issuer Holdco).....	102
The Tesco Atrato Limited Partnership (the Partnership).....	103
Tesco Atrato (GP) Limited (the General Partner).....	106
Tesco Atrato (1LP) Limited (the Tesco Limited Partner).....	107
Mourant Property Trustees Limited (the JPUT Limited Partner).....	108
Tesco Atrato (Nominee Holdco) Limited (Nominees Holdco).....	109
Tesco Atrato (Nominee 1) Limited (Nominee No. 1).....	110
Tesco Atrato (Nominee 2) Limited (Nominee No. 2).....	111
Tesco Atrato Depot Propco Limited (Depot Propco).....	112
Tesco Plc (Tesco).....	113
Mourant Fund Services (UK) Limited (The Partnership Operator).....	116
Structured Finance Management Limited (The Corporate Services Provider).....	117
Valuation Report.....	118
Provisions Relating to Bonds Whilst in Global Form.....	143
Terms and Conditions of the Bonds.....	145

United Kingdom Taxation .....167

Subscription and Sale .....169

General Information.....171

Appendix 1 Index of Defined Terms .....173

**LEFT BLANK INTENTIONALLY**

## TRANSACTION OVERVIEW

### ***Indebtedness***

On the Closing Date, the proceeds of the issue of the Bonds will be applied by the Issuer, *inter alia*, in making an advance to the Partnership of £564,500,000 (the "**Partnership Loan**") pursuant to a loan agreement to be entered into by, *inter alios*, the Issuer as lender and the Partnership as borrower (the "**Partnership Loan Agreement**").

The Partnership will apply the proceeds of the Partnership Loan (together with other available funds) to (i) repay the loan (the "**Livingston Loan**") to be made by an affiliate of the Lead Manager (the "**Livingston Lender**") to the Partnership prior to the Closing Date to fund the acquisition of the DC Head Lease by the Partnership and certain payments to be made by the Partnership in connection with the acquisition of the Existing DC Lease in respect of the distribution centre at Livingston (the "**Livingston Distribution Centre**") as explained in the section headed "*Acquisition of the Livingston Distribution Centre*" below; (ii) acquire a long lease of the distribution centre at Magor (the "**Magor Distribution Centre**" and together with Livingston Distribution Centre, the "**Distribution Centres**"); (iii) acquire long leases of the retail stores known as Beccles, Burnley Extra, Burscough Bridge, Cannock, Clowne, Coventry Walsgrave, Deysbrook Barracks, Greenock Extra, Hexham Extra, Merthyr Station Yard Extra, Oban, Pembroke Dock, Porthmadog, South Wigston and Uttoxeter (together with the Distribution Centres, the "**Property Portfolio**"); (iv) make a deposit of £6,250 to the Partnership Transaction Account (and credited to the Partnership Expenses Reserve Ledger); (v) make a deposit to the Partnership Transaction Account in an amount equal to the difference between the amount, in aggregate, of the Partnership Fixed Legs for the first payment date under the Partnership Swaps and the amount of interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement; and (vi) meet certain expenses associated with the transactions described in this Prospectus.

The Property Portfolio has been valued at the Market Value (as defined in the valuation report reproduced in the section of this document entitled "*Valuation Report*" (the "**Valuation Report**"), as at 7 September 2009 (the "**Valuation Date**"), of £514,540,000.

For further details as to the use of proceeds, see the section of this document entitled "*Use of Proceeds*".

### ***Property Portfolio and Occupational Leases***

On the Closing Date, the Property Portfolio will consist of 15 retail stores and the two Distribution Centres, as further described in the section entitled "*The Property Portfolio*".

As at the Closing Date, the tenant of each of the properties within the Property Portfolio will be either Tesco Stores Limited ("**TSL**") or Tesco Property Nominees (No. 5) Limited and Tesco Property Nominees (No. 6) Limited (who will hold the relevant Occupational Leases on trust for TSL) (together the "**Tesco Nominees**" and, together with TSL, the "**Occupational Tenants**" and each of them, an "**Occupational Tenant**", which expression includes any tenant under an Occupational Lease in respect of an Incoming Property as referred to in "*Substitution, Alteration and Disposal of Mortgaged Properties - The Substitution Agreement*" below). The Occupational Tenants will occupy each of the properties within the Property Portfolio in accordance with the terms of a lease (the "**Occupational Leases**" and each of them, an "**Occupational Lease**", which expression includes any occupational leases on identical terms in respect of an Incoming Property as referred to in "*Substitution, Alteration and Disposal of Mortgaged Properties - The Substitution Agreement*" below). On the Closing Date, the landlord's interest in the Occupational Leases will be



held by Tesco Atrato (Nominee 1) Limited ("**Nominee No. 1**") and Tesco Atrato (Nominee 2) Limited ("**Nominee No. 2**" and together with Nominee No. 1, the "**Nominees**" and each a "**Nominee**") on trust for and on behalf of the Partnership.

The obligations of each Occupational Tenant under each Occupational Lease will be guaranteed by Tesco (and will be co-guaranteed by the Highest Rated Entity (as defined below) if (a) such entity exists and (b) the long term unsecured debt obligations of Tesco are not or cease to be rated at least A3 by Moody's, A- by S&P and A- by Fitch) (the "**Occupational Tenant Guarantor**"). The Occupational Leases do not permit any assignment or assignation by an Occupational Tenant. Each Occupational Lease granted in respect of the properties within the Property Portfolio will be for a term expiring on 24 December 2039 (the "**Occupational Lease Maturity Date**").

### ***Source of funds for payments of the Bonds***

The Issuer's primary source of funds for the payment of principal and interest on the Bonds will be the interest and principal repayments and (in respect of the first Loan Interest Payment Date) a one-off fee payable under the Partnership Loan, any amounts payable to the Issuer by the Issuer Swap Provider under the Issuer Swap Agreement and any amounts payable to the Issuer by the Partnership under the Partnership Swap Agreement.

The Partnership's primary sources of funds for the payment of the Partnership Loan and any amounts payable to the Issuer under the Partnership Swap Agreement will be rental payments payable by the Occupational Tenants pursuant to the Occupational Leases and any amounts payable to the Partnership by the Issuer under the Partnership Swap Agreement and (in respect of the first Loan Interest Payment Date) the deposit made to the Partnership Transaction Account on the Closing Date in an amount equal to the difference between the amount, in aggregate, of the Partnership Fixed Legs for the first payment date under the Partnership Swaps and the amount of interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement.

Principal rent (and any amounts in lieu thereof pursuant to the Substitution Agreement and without double counting any amounts in lieu thereof under the Occupational Leases) ("**Principal Rent**") and all other rental amounts payable to the Landlord directly (including (i) sums payable under the Occupational Tenant's covenants, such as outgoings, default interest and service charges; (ii) sums to cover any head lease rental; (iii) sums in respect of value added tax ("**VAT**"); and (iv) amounts by way of indemnity by each Occupational Tenant (failing which, by the Occupational Tenant Guarantor) pursuant to each Occupational Lease (such rental and/or guaranteed amounts being the "**Rental Income**") will be paid to the account (the "**Partnership Rent Account**") held by the Nominees.

All amounts standing to the credit of the Partnership Rent Account (other than the proceeds of the subordinated loans of £1,000 each made by the Issuer and deposited to the Partnership Rent Account on the Closing Date to be held by the Nominees on behalf of themselves and each of the General Partner, Nominees Holdco and Depot Propco) two Business Days prior to each Loan Interest Payment Date (each a "**Calculation Date**") will be transferred on the immediately following Loan Interest Payment Date to the Partnership Transaction Account.

On each Loan Interest Payment Date:

- (a) amounts standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger) and available to the Partnership will be applied in or towards satisfaction of the payment obligations of the Partnership, including obligations to make payments of principal, interest and any other amounts due in

respect of the Partnership Loan and any amounts payable to the Issuer under the Partnership Swap Agreement; and

- (b) amounts standing to the credit of the Issuer Transaction Account and available to the Issuer will be applied by the Issuer in or towards satisfaction of the payment obligations of the Issuer, including under the Issuer Swap Agreement and the Partnership Swap Agreement.

On each Bond Interest Payment Date amounts standing to the credit of the Issuer Transaction Account and available to the Issuer will be applied to satisfy the Issuer's payment obligations, including in respect of the principal, interest and premium due on the Bonds and amounts due to the other Issuer Secured Creditors.

For further details, see "*Resources Available to the Partnership and the Issuer*".

The Partnership Loan will bear interest at a rate of 6.0517 per cent. per annum and interest will be payable quarterly on 10 January, 10 April, 10 July and 10 October (each a "**Loan Interest Payment Date**"). There will be scheduled payments of principal in respect of the Partnership Loan on each Loan Interest Payment Date.

The Partnership Loan will be guaranteed (on a limited recourse basis) (the "**Partnership Loan Guarantee**") by the Obligors (as defined below) other than the Partnership.

The Bonds and the Partnership Loan will bear interest at a fixed rate, whereas Rental Income will be linked to a Retail Prices Index ("**RPI**"). Accordingly prior to or on the Closing Date in order to hedge the exposure which would otherwise exist:

- (a) the Partnership and the Issuer (in its capacity as "**Partnership Swap Provider**") will enter into swaps (the "**Partnership Swaps**") governed by the Partnership Swap Agreement under which the Partnership will pay to the Issuer on each Loan Interest Payment Date amounts (in aggregate) equal to the sum of the Principal Rent receivable by it under the Occupational Leases in the previous Calculation Period (after deducting a fixed indexed amount in respect of, *inter alia*, the amounts payable by the Partnership under items (a), (b), (c), (d), (e) and (i) of the Partnership Pre-Enforcement Priority of Payments) (the "**Partnership Index Linked Legs**") and the Issuer will pay to the Partnership fixed amounts which will (in aggregate) be equal to the scheduled interest (plus, in respect of the first Loan Interest Payment Date, an amount equal to the Partnership First Loan Interest Payment Date Fee) and principal due to the Issuer under the Partnership Loan on such Loan Interest Payment Date (the "**Partnership Fixed Legs**"); and
- (b) the Issuer and the Issuer Swap Provider will enter into swaps (the "**Issuer Swaps**") which will be governed by the Issuer Swap Agreement whereby the Issuer shall pay amounts equal to the aggregate of the amounts due to the Issuer under the Partnership Index Linked Legs (the "**Issuer Index Linked Legs**") to the Issuer Swap Provider and the Issuer Swap Provider shall pay the Issuer fixed amounts which will be equal to the scheduled interest and principal due to the Bondholders under the Bonds on the immediately following Bond Interest Payment Date (the "**Issuer Fixed Legs**").

### **Security**

The obligations of the Partnership, the General Partner, the Nominees, Nominees Holdco and Depot Propco (the "**Obligors**") under the Partnership Loan Agreement and the other Transaction Documents to which the Partnership or any other Obligor is a party (the "**Partnership Transaction Documents**") will be secured in favour of the Partnership Security Trustee for the benefit of the

Partnership Security Trustee, the Issuer, the Cash Manager, the Account Bank, the Partnership Operator, the Property Pool Manager, the Depot Propco Corporate Services Provider and the Nominees/Nominees Holdco Corporate Services Provider (the "**Partnership Secured Creditors**") by fixed and floating security created by, and pursuant to, the Partnership Security Documents (as to which, see further "*Summary of Transaction Documents – The Partnership Security Documents*").

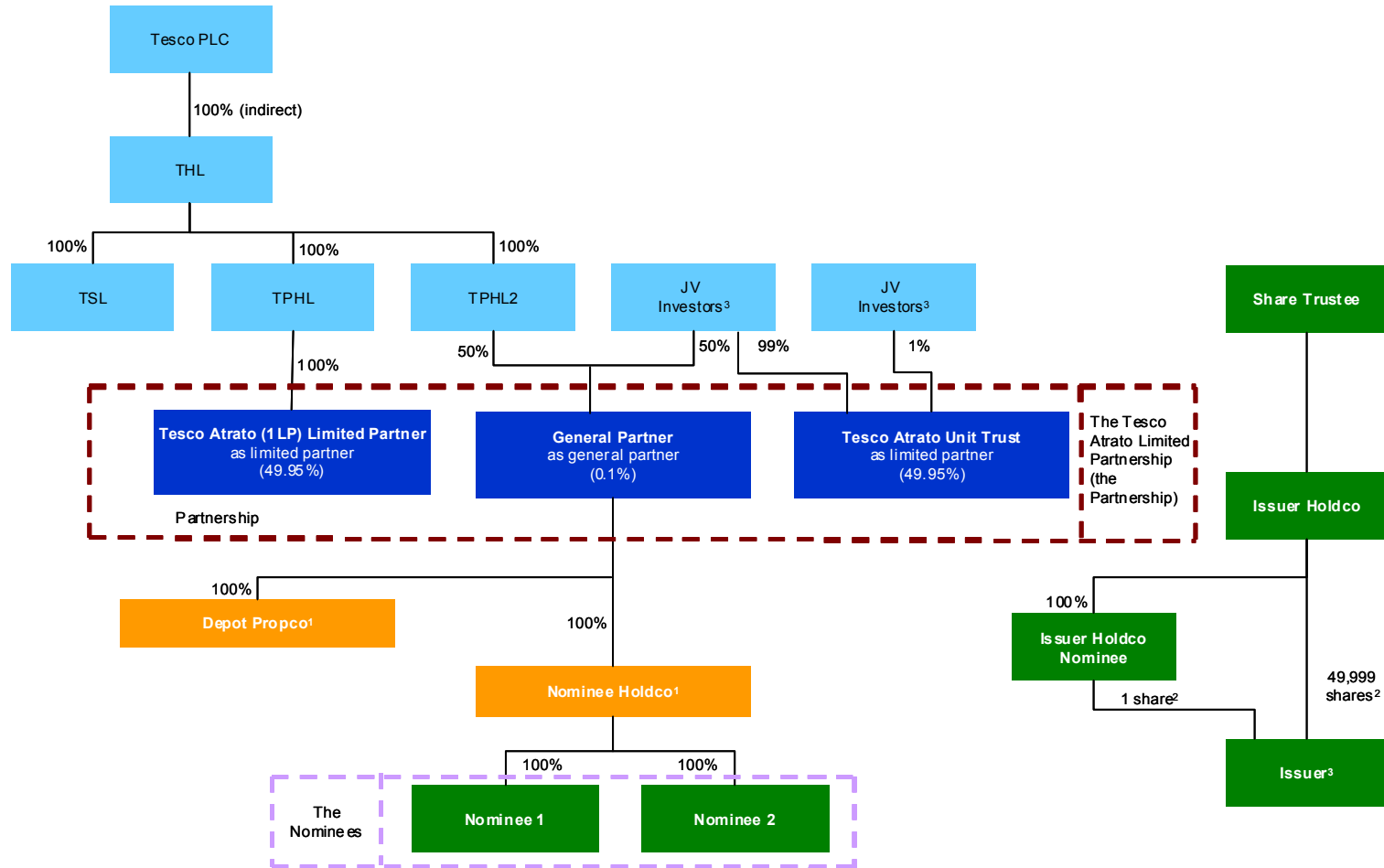
The Issuer will assign, by way of first fixed security, all of its right, title, interest and benefit in, to and under the Partnership Security Documents (as defined below), the Partnership Loan Agreement, the Partnership Swap Agreement, the Issuer Swap Agreement and the other Transaction Documents to which the Issuer is a party (the "**Issuer Transaction Documents**"), charge its rights to the Issuer Transaction Account and create fixed and floating security over all of its other assets in favour of the Issuer Security Trustee for the benefit of itself, the Bond Trustee, the Bondholders and the other Issuer Secured Creditors (as defined below) pursuant to the Issuer Deed of Charge.

### ***Transaction Documents***

The following documents, *inter alia*, shall constitute "**Transaction Documents**" for the purposes of this Prospectus: the Trust Deed; the Agency Agreement; the Issuer Deed of Charge; the Issuer Master Definitions and Construction Schedule; the Account Bank Agreement; the Cash Management Agreement; the Issuer Swap Agreement; any Eligible Guarantee (as defined in the Issuer Swap Agreement); the Partnership Swap Agreement; the Partnership Loan Agreement; the Partnership Deed of Charge; the Nominees Deed of Charge; the Nominees Holdco Deed of Charge; the Depot Propco Deed of Charge; the Common Terms and Definitions Deed; the Tax Deed of Covenant; the SDLT Deed of Covenant; the Committed Subordinated Loan Agreement; the Highest Rated Entity Deed; the Declarations of Trust; the Beneficiary Undertakings; the Headleases; the Occupational Leases; the Substitution Agreement; the Property Pool Management Agreement; the Property Option Agreement; the Partnership Operating Agreement; the Issuer/Issuer Holdco Corporate Services Agreement; the Depot Propco Corporate Services Agreement; the Nominees/Nominees Holdco Corporate Services Agreement and any other document designated as such by the Partnership and the Partnership Security Trustee.

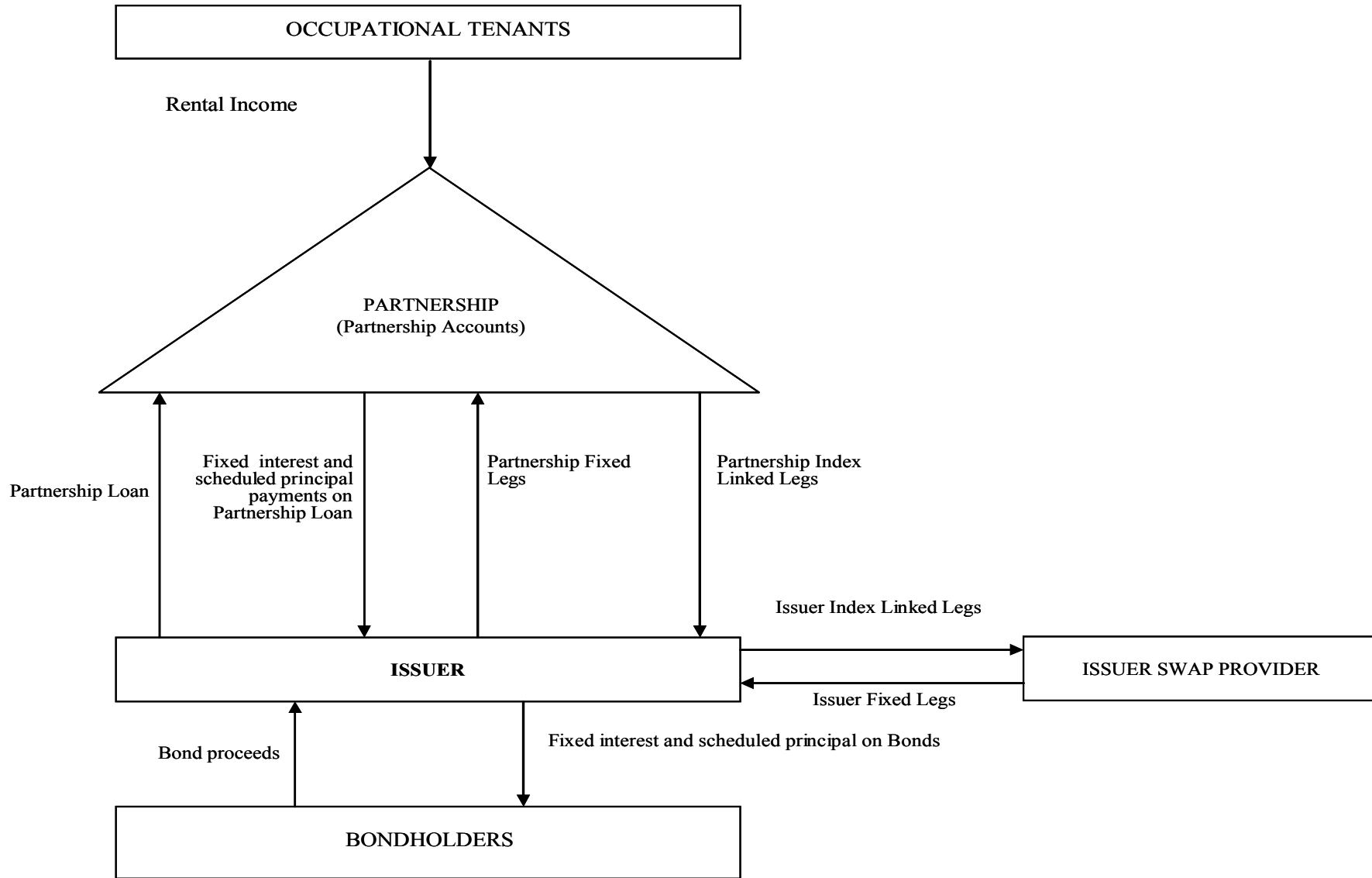
## DIAGRAMMATIC OVERVIEW OF PARTIES AND TRANSACTION

### FIGURE 1: OWNERSHIP STRUCTURE



1. Depot Propco and Nominee Holdco will be owned by the General Partner acting for and on behalf of the Partnership.
2. One fully-paid up share in the Issuer is held by the Issuer Holdco Nominee on trust for the Issuer Holdco.
3. The JV Investors are pension plan investors that ultimately own the units in the JPUT Limited Partner. Consortium Nominees Holdings Limited will own 50% of the shares in the General Partner.

**FIGURE 2: TRANSACTION STRUCTURE**



## KEY CHARACTERISTICS OF THE BONDS

*The following information is a description of the principal features of the issue of the Bonds. This description should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this document.*

	The Bonds
<b>Principal amount (£ million):</b>	£564,500,000
<b>Issue price</b>	100%
<b>Credit enhancement:</b>	None
<b>Interest rate:</b>	6.0517% p.a.
<b>Interest accrual method:</b>	Actual/Actual (ICMA)
<b>Bond Interest Payment Dates:</b>	Quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year
<b>Amortisation:</b>	On Bond Interest Payment Dates as provided in the Conditions
<b>Scheduled average life:</b>	19.5 years
<b>First Bond Interest Payment Date:</b>	13 January 2010
<b>Final Maturity Date:</b>	13 October 2039
<b>Application for listing:</b>	Irish Stock Exchange
<b>ISIN:</b>	XS0347919028
<b>Common code:</b>	034791902
<b>Expected ratings (Moody's/S&amp;P/Fitch):</b>	A3/A-/A-

## THE PARTIES

### The Issuer

Tesco Property Finance 2 Plc (the "**Issuer**") is a public company incorporated in England and Wales with limited liability under registration number 7004310. The Issuer is not affiliated with Tesco. The Issuer was incorporated as a public limited company on 28 August 2009. The Issuer was established for the principal purpose of issuing the Bonds and entering into the transactions and matters contemplated by this Prospectus. All of the shares in the Issuer are held by or on behalf of the Issuer Holdco or by its nominee ("**Issuer Holdco Nominee**").

### Issuer Holdco

Atrato Issuer Holdco Limited ("**Issuer Holdco**") is a limited liability company incorporated in England and Wales, which is not affiliated with Tesco. The issued share capital of Issuer Holdco is held by SFM Corporate Services Limited as trustee (the "**Share Trustee**") under the terms of a discretionary trust for the benefit of one or more discretionary objects. Neither Tesco nor any company connected with Tesco can direct the Share Trustee and none of such companies has any control, direct or indirect, over Issuer Holdco or the Issuer.

### The Partnership

The Tesco Atrato Limited Partnership (the "**Partnership**") was established as an English limited partnership to act as a special purpose vehicle under the terms of a partnership agreement dated 5 August 2009 as amended and restated prior to the Closing Date (the "**Partnership Agreement**"). The partners of the Partnership are the Tesco Limited Partner, the JPUT Limited Partner and the General Partner (each as defined below). As at the Closing Date, the Tesco Limited Partner and the JPUT Limited Partner will each have an equal 49.95% interest in the Partnership and the General Partner will have a 0.1% interest in the Partnership.

The Tesco Limited Partner and the JPUT Limited Partner are together referred to as the "**Limited Partners**" and the Limited Partners together with the General Partner are referred to as the "**Partners**".

The Partnership will on the Closing Date own: (a) the landlord's interest in the Occupational Lease relating to each of the properties within the Property Portfolio (and, for the avoidance of doubt, references in this Prospectus to the Partnership owning or holding title to such interests in respect of the properties within the Property Portfolio located in Scotland shall be read as references to the interest of the Partnership in its capacity as the beneficiary of the Scottish Partnership Declarations of Trust (as defined below)). The Partnership will grant a charge over, *inter alia*, such beneficial interests in favour of the Partnership Security Trustee as security for the aggregate of all present and future monies, obligations and liabilities (actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) which from time to time are or may become due, owing or payable by an Obligor to each, some or any of the Partnership Secured Creditors under the Partnership

Transaction Documents (the "**Partnership Secured Obligations**").

**The General Partner**

Tesco Atrato (GP) Limited (the "**General Partner**") is a limited liability company incorporated in England and Wales and was established for the principal purpose of acting as the general partner of the Partnership. As at the Closing Date, the General Partner will be jointly owned by Consortium Nominees Holdings Limited and Tesco Property Holdings (No. 2) Limited (a wholly-owned indirect subsidiary of Tesco).

**The Limited Partners**

Tesco Atrato (1LP) Limited (the "**Tesco Limited Partner**") is a limited liability company incorporated in England and Wales and was established for the principal purpose of acting as a limited partner of the Partnership. The Tesco Limited Partner is a wholly-owned indirect subsidiary of Tesco. Tesco has agreed to maintain a minimum indirect economic interest in the Partnership while any Bonds remain outstanding.

Mourant Property Trustees Limited is the managing trustee (the "**JPUT Trustee**") of the Tesco Atrato Unit Trust (the "**JPUT Limited Partner**"), the units of which on the Closing Date will be ultimately owned by pension plan investors (the "**JV Investors**").

**The Nominees**

Each of Tesco Atrato (Nominee 1) Limited ("**Nominee No. 1**") and Tesco Atrato (Nominee 2) Limited ("**Nominee No. 2**") and together with Nominee No. 1, the "**Nominees**" and each a "**Nominee**") is a limited liability company incorporated in England and Wales, which was established for the principal purpose of holding the legal title to the Mortgaged Properties on trust for the Partnership. Each of the Nominees is wholly-owned by Nominees Holdco and will, on the Closing Date, acquire the legal titles to the properties within the Property Portfolio which it will hold on trust for the Partnership.

**Nominees Holdco**

Tesco Atrato (Nominee Holdco) Limited ("**Nominees Holdco**") is a limited liability company incorporated in England and Wales, which was established for the principal purpose of acting as the holding company of the Nominees. Nominees Holdco is a wholly-owned subsidiary of the Partnership.

**Depot Propco**

Tesco Atrato Depot Propco Limited ("**Depot Propco**") is a limited liability company incorporated in England and Wales, which was established for the principal purpose of holding an overriding lease of the Livingston Distribution Centre (and, for the avoidance of doubt, references in this Prospectus to overriding leases in respect of the Livingston Distribution Centre shall be read as references to interposed leases, being the equivalent to overriding leases in Scots law). Depot Propco is a wholly-owned subsidiary of the Partnership.

**The Tesco Group**

For the purposes of this document, the "**Tesco Group**" means Tesco Plc ("**Tesco**") and all or any of its direct or indirect subsidiaries (as defined in the Companies Act 2006).



**The Highest Rated Entity**

An undertaking which is affiliated to or a subsidiary or parent of (as such terms are defined in the Companies Act 2006) Tesco whose long-term unsecured unsubordinated debt obligations are rated higher than those of Tesco, provided that such entity is not a financial institution or a special purpose entity established for the purpose of one or more particular financing transactions or types of transactions or financial business (the "**Highest Rated Entity**") will guarantee certain obligations of Tesco and agree to become co-guarantor with Tesco if such entity exists and the long-term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's, A- by S&P and A- by Fitch pursuant to a deed to be entered into by, amongst others, the Issuer, the Obligors, the Issuer Security Trustee, the Partnership Security Trustee and Tesco on or about the Closing Date (the "**Highest Rated Entity Deed**") and acceded to by the Highest Rated Entity at such time.

**The Bond Trustee**

HSBC Corporate Trustee Company (UK) Limited (in such capacity, the "**Bond Trustee**") will be appointed pursuant to a trust deed which will be entered into on the Closing Date between the Issuer and the Bond Trustee and in relation to which the Bonds will be constituted (the "**Trust Deed**", which expression shall include such trust deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto).

The Bond Trustee, in its capacity as trustee under the Trust Deed, will act as trustee for the Bondholders.

**The Issuer Security Trustee**

HSBC Corporate Trustee Company (UK) Limited (in such capacity, the "**Issuer Security Trustee**") will be granted security by the Issuer under or pursuant to a deed of charge in favour of the Issuer Security Trustee (on behalf of the Issuer Secured Creditors) (the "**Issuer Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) (together with a power of attorney executed and delivered by the Issuer thereunder and any other document or instrument granted by the Issuer in favour of the Issuer Security Trustee on behalf of the Issuer Secured Creditors, the "**Issuer Security Documents**"). The Issuer Security Trustee will hold the security created by and pursuant to the Issuer Security Documents on behalf of itself and the other Issuer Secured Creditors.

**The Partnership Security Trustee**

HSBC Corporate Trustee Company (UK) Limited (in such capacity, the "**Partnership Security Trustee**") will hold security (on behalf of the Partnership Secured Creditors) granted by the Partnership and the General Partner under or pursuant to a deed of charge to be entered into on or about the Closing Date (the "**Partnership Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein

contained and any deed or other document expressed to be supplemental thereto), by the Nominees under or pursuant to a deed of charge to be entered into on or about the Closing Date (the "**Nominees Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto), by Nominees Holdco under a deed of charge to be entered into on or about the Closing Date (the "**Nominees Holdco Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) and by Depot Propco pursuant to a deed of charge to be entered into on or about the Closing Date (the "**Depot Propco Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) (together with any powers of attorney to be executed and delivered by the Partnership, the General Partner, the Nominees, Nominees Holdco and Depot Propco and any other document or instrument granted by the Partnership, the General Partner, the Nominees, Nominees Holdco or Depot Propco in favour of the Partnership Security Trustee (on behalf of the Partnership Secured Creditors) as security for the Partnership Secured Obligations, the "**Partnership Security Documents**"). The Partnership Security Trustee will hold the security created by and pursuant to the Partnership Security Documents on behalf of itself, the Issuer and the other Partnership Secured Creditors.

#### **The Cash Manager**

HSBC Bank plc (the "**Cash Manager**"), acting through its London office located at 8 Canada Square, London, E14 5HQ, will be appointed by each of the Issuer, the Partnership and the Nominees on the Closing Date pursuant to the Cash Management Agreement to act on its behalf in managing, *inter alia*, the calculation and application of monies standing to the credit of, as applicable, the Partnership Rent Account, the Partnership Accounts (other than the Partnership Distribution Account) and the Issuer Transaction Account, the calculation and application of monies payable by the Partnership under the Partnership Loan Agreement, the Partnership Swap Agreement and the other Partnership Transaction Documents and the calculation and application of monies payable by the Issuer under the Bonds, the Issuer Swap Agreement, the Partnership Swap Agreement and the other Issuer Transaction Documents. Such calculations shall be carried out by the Cash Manager pursuant to the Cash Management Agreement and the Cash Manager shall have no other obligations in respect of the payments referred to above.

#### **The Issuer Swap Provider**

Tesco, whose principal office is located at Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL, will be the swap provider to the Issuer (the "**Issuer Swap Provider**") under the Issuer Swap Agreement. Its obligations will be guaranteed by the Highest Rated Entity if (a) such entity exists and (b) the long-term unsecured

unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's, A- by S&P and A- by Fitch.

**The Account Bank**

HSBC Bank plc (the "**Account Bank**"), acting through its office at 8 Canada Square, London, E14 5HQ, will maintain certain accounts on behalf of the Issuer, the Partnership and the Nominees under the Account Bank Agreement.

**The Property Pool Manager**

Spen Hill Management Limited (the "**Property Pool Manager**") will provide property management services in relation to the Mortgaged Properties including, *inter alia*, monitoring and inspecting the Mortgaged Properties to ensure that the Mortgaged Properties are kept in good repair and the terms of the Occupational Leases are otherwise complied with (including the collection of rents from the Occupational Tenants) pursuant to the terms of an agreement to be entered into on the Closing Date between, *inter alios*, the Partnership, the Partnership Operator, the Property Pool Manager, the Partnership Security Trustee and the Nominees (the "**Property Pool Management Agreement**"). The Property Pool Manager is a wholly-owned indirect subsidiary of Tesco. The Property Pool Manager's address is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

**The Property Advisor**

Cushman & Wakefield LLP (the "**Property Advisor**") will act as property advisor to the Partnership and will carry out independent investigations of the Mortgaged Properties for the Partnership and provide certificates and reports to the Partnership in certain circumstances, as more particularly described in the section entitled "*Substitution, Alteration and Disposal of Mortgaged Properties*".

**The Partnership Operator**

Mourant Fund Services (UK) Limited, a limited liability company incorporated in England and Wales, which is authorised and regulated by the UK Financial Services Authority, will act as the operator (in such capacity, the "**Partnership Operator**") in respect of the Partnership pursuant to an operating agreement (the "**Partnership Operating Agreement**"). For further details on the Partnership Operator and the role it will perform, see the section of this document entitled "Mourant Fund Services (UK) Limited (*The Partnership Operator*)" and the section of this document entitled "*The Tesco Atrato Limited Partnership (The Partnership)*".

**The Issuer/Issuer Holdco Corporate Services Provider**

Structured Finance Management Limited, which will be appointed, on or prior to the Closing Date (in such capacity, the "**Issuer/Issuer Holdco Corporate Services Provider**"), as corporate service provider to the Issuer and Issuer Holdco pursuant to a corporate services agreement (the "**Issuer/Issuer Holdco Corporate Services Agreement**"), is a limited liability company incorporated in England and Wales (acting through its office at 35 Great St Helen's, London EC3A 6AP) and will provide directors to the Issuer and Issuer Holdco and certain secretarial and administration services to the Issuer and Issuer Holdco subject to and in accordance with the Issuer/Issuer Holdco Corporate Services Agreement.

**The Depot Propco  
Corporate Services  
Provider**

Mourant & Co. Capital (SPV) Limited, which will be appointed, on or prior to the Closing Date, as corporate service provider (in such capacity, the "**Depot Propco Corporate Services Provider**") to Depot Propco pursuant to a corporate services agreement (the "**Depot Propco Corporate Services Agreement**"), is a limited liability company incorporated in England and Wales (acting through its office at 1st Floor, Phoenix House, 18 King William Street, London EC4N 7BP) and will provide independent directors and certain secretarial and administration services to the Depot Propco subject to and in accordance with the Depot Propco Corporate Services Agreement.

**The Nominees/Nominees  
Holdco Corporate  
Services Provider**

Mourant & Co. Capital (SPV) Limited, which will be appointed, on or prior to the Closing Date, as corporate service provider (in such capacity, the "**Nominees/Nominees Holdco Corporate Services Provider**") to the Nominees and Nominees Holdco pursuant to a corporate services agreement (the "**Nominees/Nominees Holdco Corporate Services Agreement**"), is a limited liability company incorporated in England and Wales (acting through its office at 1st Floor, Phoenix House, 18 King William Street, London EC4N 7BP) and will provide independent directors to the Nominees and Nominees Holdco subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement.

## THE BONDS

### General

The Bonds will be issued in accordance with the terms of the Trust Deed and will be direct, secured and limited recourse obligations of the Issuer.

### Status, Form and Denomination

The Bonds will, in all cases, rank *pari passu* amongst themselves as to payment of interest and will, in all cases, rank *pari passu* amongst themselves as to the payment of principal.

The holders of the Bonds will be entitled to receive payments of interest and principal on their Bonds on each Bond Interest Payment Date (or as otherwise provided for in the Conditions) but the entitlement to receive interest and principal is subordinated to any liabilities ranking in priority to the Bonds, including, *inter alia*, all amounts payable on the relevant Bond Interest Payment Date (or the Final Maturity Date, as the case may be) to the Bond Trustee, the Issuer Security Trustee, the Paying Agents, the Account Bank, the Cash Manager and the Issuer/Issuer Holdco Corporate Services Provider.

For a more detailed description of the priority of payments both prior and subsequent to the enforcement of security thereunder, see the section of this document entitled "*Resources Available to the Partnership and the Issuer*".

For further details as to Bondholder meetings, modifications, waivers and consents by the Issuer Security Trustee and the Bond Trustee, see the sections entitled "*Terms and Conditions of the Bonds*", "*Summary of Transaction Documents*" and "*Risk Factors*".

The Bondholders may replace the Bond Trustee by resolution of the Bondholders passed as an extraordinary resolution under the terms of the Trust Deed (an "**Extraordinary Resolution**") (as long as there is a bond trustee in relation to the Bonds after such removal).

The Bonds are and will be obligations of the Issuer only. The Bonds are not and will not be obligations or responsibilities of any person or entity other than the Issuer. Furthermore, the Bonds are not and will not be obligations or responsibilities of, or guaranteed by, Issuer Holdco, any of the Obligors, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Lead Manager, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Paying Agents, the Account Bank, the Nominees Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider, the Issuer/Issuer Holdco Corporate Services Provider, the Nominees, Nominees Holdco, Depot Propco, Tesco or any other member of the Tesco Group.

The Bonds (each individual Bond of which (should definitive Bonds be issued) will be in the denomination of £50,000 and higher integral multiples of £1,000 up to and including £99,000) will initially

be represented by a Temporary Global Bond in bearer form. Interests in the Temporary Global Bond will, upon certification as to non-U.S. beneficial ownership, be exchangeable, subject as provided under "*Terms and Conditions of the Bonds*", for interests in a Permanent Global Bond on the Exchange Date. The Permanent Global Bond will not be exchangeable for definitive Bonds, save in certain limited circumstances (as to which see further "*Provisions Relating to Bonds whilst in Global Form*").

#### **Interest and principal**

Interest and principal on the Bonds is payable by reference to successive Bond Interest Periods. Interest will be payable quarterly in arrear on each Bond Interest Payment Date. The first Bond Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Bond Interest Payment Date falling on 13 January 2010. Each successive Bond Interest Period will commence on (and include) a Bond Interest Payment Date and end on (but exclude) the immediately succeeding Bond Interest Payment Date.

Interest on the Bonds will accrue at the rate of 6.0517 per cent. per annum.

Principal will be paid in accordance with Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part).

A failure by the Issuer to make timely payments of amounts of interest and principal due under the Bonds will constitute a Bond Event of Default.

The Bondholders will be entitled to receive payment of interest on their respective Bonds on any Bond Interest Payment Date as provided in the Conditions and provided that such entitlement is subordinated to any liabilities ranking in priority thereto in accordance with the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Priority of Payments (see further the section of this document entitled "*Resources Available to the Partnership and the Issuer*").

#### **Withholding tax**

All payments of principal and interest in respect of the Bonds will be made without withholding or deduction for or on account of tax unless such withholding or deduction is required by law (whether in the United Kingdom or elsewhere). If any such withholding or deduction is required to be made from payments due in respect of the Bonds (as to which, in relation to the United Kingdom, see the section of this document entitled "*United Kingdom Taxation*"), neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Bondholders or, if Definitive Bonds are issued, to otherwise compensate Bondholders for the reduction in the amounts they will receive as a result of such withholding or deduction. In such circumstances, the Issuer will have the option (but not the obligation) to redeem all of the Bonds at their Principal Amount Outstanding, as more particularly set out in Condition 5.4 (Redemption, Purchase and Cancellation – Optional

redemption due to change of tax law and illegality).

**Final redemption**

Unless previously redeemed in full or purchased and cancelled, the Bonds will mature at their then Principal Amount Outstanding, together with accrued interest (if any) thereon on 13 October 2039 (the "**Final Maturity Date**").

**Mandatory redemption**

Unless the Bonds have previously been redeemed in full, the Issuer will redeem the Bonds:

- (a) in the amounts and on the Bond Interest Payment Dates specified in Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part) (as subsequently amended); and
- (b) on each Bond Interest Payment Date in an amount equal to the amount of principal prepaid by the Partnership to the Issuer on such date in respect of the Partnership Loan (for more detail on the prepayment of the Partnership Loan see "*Summary of Transaction Documents – The Partnership Loan Agreement – Prepayment of the Partnership Loan*" and Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part)).

**Optional redemption**

The Issuer may, at its option, redeem all of the Bonds on any Bond Interest Payment Date at their Principal Amount Outstanding if certain circumstances arise on or after the Closing Date relating to certain changes of tax law (or the application or official interpretation thereof), as more particularly set out in Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality).

**Security**

The Bonds will be secured pursuant to the Issuer Deed of Charge (see "*Summary of Transaction Documents – The Issuer Deed of Charge*" for a further description of the Issuer Security).

The Issuer Security Trustee and any appointee thereof (and any receiver appointed by the Issuer Security Trustee), the Bond Trustee and any appointee thereof, the Bondholders, the Account Bank, the Cash Manager, the Partnership, the Issuer Swap Provider, the Paying Agents, the Issuer/Issuer Holdco Corporate Services Provider and any other person acceding to the Issuer Deed of Charge as a secured creditor of the Issuer from time to time (the "**Issuer Secured Creditors**") will also have the benefit of the Issuer Security created pursuant to the Issuer Deed of Charge.

The obligations of the Issuer in respect of the Bonds and the other Issuer Secured Creditors pursuant to the Issuer Transaction Documents will rank as to payments, and in point of security, according to the relevant Issuer Priority of Payments (as to which, see the section of this document entitled "*Resources Available to the Partnership and Issuer*").

Following the service of a Bond Acceleration Notice by the Bond

Trustee, the Bonds will become immediately due and repayable in accordance with Condition 9.2 (Bond Events of Default – Consequences of Bond Acceleration Notice).

### **Bond Events of Default**

The Bond Trustee may, and if so directed by the Bondholders in accordance with the Conditions shall, (but, in the case of the events in paragraph (b) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interest of the Bondholders) give a Bond Acceleration Notice to the Issuer:

- (a) if default is made in the payment of principal, premium or interest due in respect of the Bonds and the default continues for three Business Days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or any Issuer Transaction Documents and generally where such failure continues for 30 days; or
- (c) if the Issuer suffers certain specified insolvency events or ceases or threatens to cease its business or a substantial part thereof (as more particularly described in Condition 9.1 (Bond Events of Default – Bond Acceleration Notice)); or
- (d) if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of Tesco or any Material Subsidiary (as defined below) shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (howsoever described) in relation thereto or Tesco or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by Tesco or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due.

For this purpose:

**"Material Subsidiary"** means (a) a subsidiary of Tesco whose profits before tax and extraordinary items or whose net assets (in each case attributable to Tesco) calculated by reference to its latest audited accounts represent ten per cent. or more of the consolidated profits before tax and extraordinary items or net assets (in each case attributable to Tesco) as the case may be, of Tesco and its subsidiaries similarly calculated and (b) a subsidiary which has



outstanding any notes, bonds or other like securities of which Royal Exchange Trust Company Limited (or any successor trustee to Tesco's £15,000,000,000 Euro Note Programme) is trustee. A certificate of any two directors of Tesco that in their opinion a subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

**"Moneys Borrowed"** means (a) borrowed moneys and (b) liabilities under any note, bond, bill, debenture, loan stock or other security in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

**Ratings**

It is expected that the Bonds will, when issued, be assigned a rating of A3 by Moody's, a rating of A- by S&P and a rating of A- by Fitch. The Issuer will use its reasonable endeavours to maintain ratings of the Bonds from 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.

**Listing**

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and to trading on its regulated market.

## **RISK FACTORS**

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

### **Risks related to the Bonds**

#### ***Limited resources***

The Bonds will be limited recourse obligations of the Issuer. Further, the assets of the Issuer will themselves be limited. The Issuer is a special purpose company with no business operations other than the issue of the Bonds and the transactions ancillary thereto. The ability of the Issuer to meet its obligations under the Bonds will be principally dependent on the receipt by it of funds from the Partnership under the Partnership Loan Agreement and the Partnership Swap Agreement and the receipt of funds from the Issuer Swap Provider under the Issuer Swap Agreement. Other than the foregoing, prior to the enforcement of the security created pursuant to the Partnership Security Documents, the Issuer will not have any other significant funds available to it to meet its obligations under the Bonds and in respect of any payment ranking in priority to, or *pari passu* with, the Bonds.

#### ***Liability under the Bonds***

The Bonds will be obligations solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Bonds will not be obligations or responsibilities of, and will not be guaranteed by, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Depot Propco, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Paying Agents, the Lead Manager, the Cash Manager, the Account Bank, the Partnership Operator, the Issuer Swap Provider, the Property Pool Manager, the Property Advisor, the Issuer/Issuer Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider, the Nominees/Nominees Holdco Corporate Services Provider, Tesco or any other member of the Tesco Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

#### ***Definitive Bonds and denominations in integral multiples***

The Bonds have a denomination consisting of a minimum authorised denomination of £50,000 plus higher integral multiples of £1,000 up to £99,000. Accordingly, it is possible that the Bonds may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Bonds are required to be issued, a Bondholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a definitive Bond in respect of such holding and may need to purchase a principal amount of Bonds such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive Bonds are issued, Bondholders should be aware that definitive Bonds which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

### ***No liquidity facility***

The Issuer does not have the benefit of a liquidity facility. Therefore, in the event that the Occupational Tenants fail to pay rent after any applicable grace period (and the Occupational Tenant Guarantor fails to pay such amounts under the Occupational Tenant Guarantee after any applicable grace period) or there is a delay or failure to pay by the Partnership under the Partnership Loan Agreement (or the other Obligors pursuant to the Partnership Loan Guarantee) or by the Partnership under the Partnership Swap Agreement or by the Issuer Swap Provider under the Issuer Swap Agreement, the Issuer may be unable to meet its payment obligations under the Bonds as they fall due.

### ***Partnership Level Security enforcement***

In the event of acceleration of the Partnership Loan recourse will be available only to the Partnership Level Charged Property (including the Mortgaged Properties, the relevant Partnership Transaction Documents and the Partnership Accounts and the Partnership Rent Account). Enforcement under the Partnership Security Documents may not result in immediate realisation of the Partnership Level Charged Property and a significant delay could be experienced in recovery by the Partnership Security Trustee of, *inter alia*, amounts owed under the Partnership Loan (in particular, please see "*Insolvency considerations*"). There can be no assurance that the Partnership Security Trustee would recover all amounts secured upon enforcement of the Partnership Level Security and, accordingly, sufficient funds may not be realised or available to make all required payments to the Issuer under the Partnership Loan and, accordingly, the Issuer may not have sufficient funds available to make all required payments to Bondholders and other Issuer Secured Creditors.

### ***Monitoring of compliance with representations, warranties and covenants and occurrence of Partnership Loan Event of Default or Potential Partnership Loan Event of Default***

The Partnership Loan Agreement will provide that the Partnership Security Trustee will be entitled to assume, unless the Partnership Security Trustee is expressly informed otherwise by the Partnership that no Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred which is continuing. The Partnership Security Trustee will not itself monitor whether any such event has occurred but will (unless expressly informed to the contrary by the Partnership) rely on any certificates and information delivered under the Partnership Loan Agreement to determine whether a Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred. For further details concerning Partnership Loan Events of Default or Partnership Loan Potential Events of Default, see the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*".

None of the Bond Trustee, the Issuer Security Trustee or Partnership Security Trustee is obliged to monitor whether a Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred. Moreover, as the Issuer is a special purpose company, it will not, nor does it possess the resources to, actively monitor whether a Partnership Loan Event of Default or a Potential Partnership Loan Event of Default has occurred, including, for this purpose, the continued accuracy of the representations and warranties made by the Obligors and compliance by the Obligors with their covenants and undertakings under the Partnership Loan Agreement.

The Partnership Loan Agreement will require the Partnership to inform the Issuer and the Partnership Security Trustee of the occurrence of any Partnership Loan Event of Default and Partnership Loan Potential Event of Default promptly upon becoming aware of the same.

The occurrence of a Partnership Loan Event of Default under the Partnership Loan Agreement will entitle the Partnership Security Trustee to pursue any of the courses of action available to it, as set

out under the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*".

Notwithstanding the above, in certain circumstances, the Mortgaged Properties held by the Partnership and the Nominees will be subject to independent review by the Property Advisor. For further details as to the role of the Property Advisor, see the section of this document entitled "*Substitution, Alteration and Disposal of Mortgaged Properties*".

### ***Hedging risks***

Principal Rent receivable by the Partnership in respect of the Mortgaged Properties is linked to RPI whereas interest and principal payable by the Partnership to the Issuer under the Partnership Loan is fixed or for a scheduled amount. Therefore Principal Rent received by the Partnership in respect of the Occupational Leases may not be sufficient for the Partnership to meet its interest and principal obligations under the Partnership Loan. In order to mitigate this risk, the Partnership will enter into the Partnership Swaps with the Issuer whereby the Partnership will pay the Issuer floating amounts equal to the Partnership Index Linked Legs and the Issuer shall pay the Partnership fixed amounts equal to the Partnership Fixed Legs.

The Issuer, in turn, has mitigated the risk that the amounts which it is due to receive under the Partnership Loan and the Partnership Swaps will be insufficient to meet its fixed payment obligations under the Bonds by entering into the Issuer Swaps with the Issuer Swap Provider, whereby the Issuer will pay the Issuer Swap Provider amounts equal to the Issuer Index Linked Legs (equal to the Partnership Index Linked Legs) and the Issuer Swap Provider will pay the Issuer fixed amounts equal to the Issuer Fixed Legs (equal to the Partnership Fixed Legs). Nonetheless, in the event of default by the Issuer Swap Provider (including, but not limited to, the insolvency of the Issuer Swap Provider) or in certain other circumstances, the Issuer Swaps may be terminated. In such event, it is not certain that any termination sum payable by the Issuer Swap Provider to the Issuer would be paid in full on the due date nor that it would be sufficient to induce a suitable replacement issuer swap provider to enter into replacement swaps.

There are no minimum rating requirements for the Issuer Swap Provider. Therefore, in the event of a downgrade of its ratings, the Issuer Swap Provider is not required to provide collateral in support of its obligations and is not required to transfer its rights and obligations under the Issuer Swap Agreement to a replacement swap provider. As a result, it is likely that if the Occupational Tenants default under their obligations to pay rent, the Issuer Swap Provider will also be in default under the Issuer Swap Agreement and the Issuer will have the option to terminate the Issuer Swaps. In addition, if the Issuer Swap Provider is downgraded, the Bonds may also be downgraded.

### ***Absence of market and limited liquidity***

There can be no assurance that a secondary market in the Bonds will develop or, if one does develop, that it will provide Bondholders with liquidity of investment or that it will continue for the life of the Bonds. In addition, the market value of the Bonds may fluctuate with changes in prevailing rates of interest, market perceptions of the risks associated with the Bonds, supply and demand and other market conditions.

### ***Liquidity in the secondary market may adversely affect the market value of the Bonds***

As at the date of this Prospectus, the secondary market for commercial mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for such securities. This has had a materially adverse impact on the market value of commercial mortgage-backed securities and resulted in the secondary market for commercial mortgage-backed securities

experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell commercial mortgage-backed securities into the secondary market. The price of credit protection on commercial mortgage-backed securities through credit derivatives has risen materially. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of commercial mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions continue to persist, an investor in the Bonds may not be able to sell or acquire credit protection on its Bonds readily and market values of the Bonds are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to Bondholders.

It is not known for how long these market conditions will continue or whether they will worsen.

### ***Ratings of the Bonds***

The ratings assigned to the Bonds by S&P and Fitch address the likelihood of full and timely payment to the Bondholders of all payments of interest and scheduled principal due on each Bond Interest Payment Date. The ratings assigned to the Bonds by Moody's reflects the expected loss posed to investors by the legal final maturity date of the Bonds. 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' judgement, circumstances so warrant. Rating organisations other than the Rating Agencies could seek to rate the Bonds and, if such "unsolicited ratings" are lower than the comparable rating assigned to the Bonds by the Rating Agencies, such "shadow ratings" could have an adverse effect on the value of the Bonds.

For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this document are to ratings assigned by the Rating Agencies only. Future events, including events affecting the Occupational Tenants and/or the Tesco Group and/or circumstances relating to the Mortgaged Properties and/or the property market generally, could have an adverse impact on the ratings of the Bonds.

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 Agency.

### ***Rating Agency Confirmation***

The terms of certain Transaction Documents will provide that, in certain circumstances, the Issuer must, and the Bond Trustee or the Issuer Security Trustee or the Partnership Security Trustee may, obtain confirmation from the Rating Agencies that any particular action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee will not adversely affect or cause to be withdrawn the then current ratings of the Bonds (a "**Rating Agency Confirmation**").

By acquiring the Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Bondholders, including, without limitation, whether any action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not materially

prejudicial to, some or all of the Bondholders. In being entitled to have regard to the fact that the Rating Agencies have confirmed that the then current ratings of the Bonds would not be adversely affected or withdrawn, each of the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors and the Issuer Secured Creditors (including the Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors, the Issuer Secured Creditors (including the Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors, the Issuer Secured Creditors (including the Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may be given or not given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Bonds form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

### ***Conflicts of interest***

The Trust Deed will require the Bond Trustee to have regard to the interests of all the Bondholders as a class (so long as any of the Bonds remains outstanding) as regards all powers, trusts, authorities, duties and discretions (as to which, see "*The Bonds*" and the Conditions).

So long as any of the Bonds are outstanding, the Bond Trustee shall not be bound to direct the Issuer Security Trustee to take any steps, proceeding or other actions to enforce the Issuer Security, or to direct the Issuer Security Trustee to direct the Partnership Security Trustee to take steps, proceedings or other actions to enforce the Partnership Level Security, unless:

- (a) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs charges and expenses which may be incurred by them in connection therewith; and
- (b) it shall have been directed or requested to do so by an Extraordinary Resolution of the holders of the Bonds then outstanding or in writing by the holders of at least 20 per cent. of the aggregate principal amount of the Bonds then outstanding.

### ***Modification, waivers and consents***

The Bond Trustee may (in its sole discretion), without the consent of the Bondholders (other than in respect of a Basic Terms Modification), give its consent to (or direct the Issuer Security Trustee to give its consent to or direct the Issuer Security Trustee to direct the Partnership Security Trustee to give its consent to) any amendment to any term of any Transaction Document to which it is a party or give its consent to any event, matter or thing or authorise or waive any breach of the Conditions or the Trust Deed or the other Transaction Documents in the circumstances described in Condition 12 (Meetings of Bondholders, Modifications and Waivers).

## **Risks relating to the Occupational Leases**

### ***Dependence on Tesco***

The ability of the Partnership to make such payments is dependent on Principal Rent received from the Occupational Tenants or payments made by Tesco under the Occupational Tenant Guarantee. The ability of the Issuer to make payments of interest and principal under the Bonds is in turn dependent on the payments being made by the Issuer Swap Provider under the Issuer Swap Agreement and by the Partnership under the Partnership Loan and the Partnership Swap Agreement.

### ***Market risks on enforcement***

In the event of enforcement of the Partnership Security Documents, it may be necessary to offer to re-let or, as appropriate, sell the relevant Mortgaged Properties. Amounts received in respect of the Mortgaged Properties by way of rent or sale price following a re-letting or sale could be insufficient to pay accrued interest on, and to repay principal of, the Partnership Loan in full, in which case Bondholders may ultimately suffer a loss.

The rent at which any Mortgaged Property could be re-let or the liquidation value of the Mortgaged Properties may be adversely affected by risks generally incidental to interests in commercial property, including changes in political and economic conditions or in specific industry segments, declines in property rental or capital values, variations in supply of and demand for retail or (as appropriate) distribution warehouses space, prevailing gilt yields and interest rates, credit spreads, declines in rental or occupancy rates, changes in governmental rules, regulations and fiscal policies, terrorism, acts of God and other factors which are beyond the control of the Tesco Group and any other party to the transaction.

### ***Terms of Occupational Leases***

The obligation to make payments under an Occupational Lease in respect of a Mortgaged Property will be an unconditional obligation on the part of the relevant Occupational Tenant. In addition, the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the relevant Occupational Tenant, including the costs of repairing, maintaining and (subject as mentioned below) insuring the relevant premises.

### ***Insurance, self-insurance and uninsured loss***

The Partnership Loan Agreement will require the General Partner (on behalf of the Partnership) to procure that insurance as would be maintained by a reasonably prudent company in the business of the occupation and letting of such property assets is maintained with respect to the Mortgaged Properties in accordance with the terms set out in the Partnership Loan Agreement and the Occupational Leases. Such terms include an entitlement of the Occupational Tenants to self-insure, provided that certain criteria are met (see the section of this document entitled "*Summary of Transaction Documents – Occupational Leases*"). Notwithstanding that the Occupational Tenants are obliged (and such obligation is guaranteed by the Occupational Tenant Guarantor), pursuant to the terms of the Occupational Leases to reinstate the Mortgaged Properties following any event of damage or destruction whether or not insured or insurable and to carry on paying rent in the meantime (subject to a right to substitute an alternative property), the Partnership's ability to repay the Partnership Loan might be affected adversely if such an uninsured or insurable loss were to occur.

If at any time the Occupational Tenants are not entitled to self-insure, it should be noted that certain types of losses may not be insurable or economically insurable at that time.

Each Occupational Lease will contain an obligation on the relevant Occupational Tenant, subject to their entitlement to self-insure, to use reasonable endeavours to procure that the landlord and the Partnership Security Trustee are co-insured with the Occupational Tenant on each policy and, if this is not possible, to procure that the landlord and the Partnership Security Trustee are noted on any such insurance policy. In parallel, the General Partner (on behalf of the Partnership) will covenant in the Partnership Loan Agreement, in cases where the Occupational Tenants are not entitled to self-insure, to use all reasonable endeavours to procure that any insurance with respect to the Mortgaged Properties is obtained in accordance with the Occupational Leases.

### **Frustration**

An Occupational Lease could, in exceptional circumstances, be frustrated under English law or Scots 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.

Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) automatically be terminated if the leased property is destroyed to the extent that it is no longer tenable or if any event occurs which otherwise precludes the performance of the parties' rights and obligations under the lease. The Occupational Leases in respect of the Mortgaged Properties located in Scotland expressly exclude such events from frustrating such Occupational Leases.

The destruction of any Mortgaged Property which has not been reinstated within 3 years would constitute a Substitution Event. If an Occupational Lease of a Mortgaged Property were to be frustrated and this did not constitute a Substitution Event, the Partnership's ability to generate cash-flow would be compromised, as would its ability to make payments of interest and repayments of principal on the Partnership Loan and/or any net payments under the Partnership Swaps.

### **Risks relating to the Mortgaged Properties**

#### **Title**

Title to the properties within the Property Portfolio has been investigated (in respect of the properties within the Property Portfolio in England and Wales) by Berwin Leighton Paisner LLP and (in respect of the properties within the Property Portfolio in Scotland) by Semple Fraser LLP. Berwin Leighton Paisner LLP has produced the Certificates of Title and the overview report in respect of the properties within the Property Portfolio in England and Wales (the "**Overview Report**"), Semple Fraser LLP has produced the Certificates of Title in respect of the properties within the Property Portfolio in Scotland and Tods Murray LLP has produced the overview report in respect of the properties within the Property Portfolio in Scotland (the "**Scottish Overview Report**"). The Certificates of Title address the quality of title of each properties within the Property Portfolio and have been issued by either Berwin Leighton Paisner LLP or Semple Fraser LLP on the basis of a review of the title documents and the usual conveyancing searches and enquiries. The properties within the Property Portfolio are subject to title restrictions and covenants, which will also bind the Occupational Tenants. The restrictions and covenants disclosed by the Overview Report and the Scottish Overview Report are typical for a portfolio of properties of this type. The Overview Report and the Scottish Overview Report have disclosed, *inter alia*, the following matters in relation to specific properties within the Property Portfolio about which prospective Bondholders should be aware:

Burscough Bridge - the property at Burscough Bridge is located within a district within a parish which continues to have potential chancel repair liability. The Occupational Tenant will be liable



under the terms of the Occupational Lease for such liability and, only in the event that it fails to pay, will the Partnership have to pay any charges raised. No insurance has been obtained to mitigate this risk.

Livingston - there are minor works costing less than £25,000 outstanding under 5 (out of the 126) of the building warrants in respect of the original construction of the Livingston Distribution Centre. Pending the completion of these works and the issue of the required building regulation approvals ("**Completion Certificate Acceptances**") certificates of temporary occupation have been granted which will expire on 9 December 2009. TSL is obliged under the Occupational Lease to comply with all statutory requirements in respect of the Livingston Distribution Centre. In the agreement for the grant of the Occupational Lease, TSL will agree to use reasonable endeavours to obtain the requisite Completion Certificate Acceptances and, in the event that they have not been obtained within 3 years of the Closing Date, TPHL (or TSL at its direction) will be required to substitute a new property or properties in place of the Livingston Distribution Centre in accordance with the requirements of the Substitution Agreement.

It should also be noted that in many cases it may not be possible to identify all the parties who are entitled to the benefit of covenants as the devolution of title to and from the title to the land which originally benefited from the covenants may not be clear (for example, the original beneficiary of the covenant may have disposed of the land benefited in different parcels and such devolution will not be apparent from the Partnership's title to the relevant Mortgaged Property), as further described in "*Risks relating to the Mortgaged Properties – Title*".

### ***Registration of the Headleases***

Registration of the Headlease of one of the properties within the Property Portfolio has been completed. The Headleases of the remaining properties within the Property Portfolio will be completed on or about the Closing Date and Berwin Leighton Paisner LLP (in respect of the properties within the Property Portfolio in England and Wales) and Semple Fraser LLP (in respect of the properties within the Property Portfolio in Scotland) will undertake to register these Headleases and the legal mortgage or standard security to be granted to the Partnership Security Trustee at the Land Registry or (as applicable) the Registers of Scotland and to reply to requisitions raised by the Land Registry or the Registers of Scotland (as applicable). The Tesco Group has confirmed that they are not aware of any matter which would prevent the Nominees becoming registered with title absolute to each of the Headleases of the properties within the Property Portfolio or the Partnership Security Trustee being registered as proprietor of the mortgage or (as applicable) the secured creditor of the standard security over the Property Portfolio. Accordingly, the Issuer expects that the prospect of any of the registrations not concluding satisfactorily is remote. However, if ultimately the registration of any of the Headleases were not to be concluded satisfactorily, registration at the Land Registry or (as applicable) the Registers of Scotland of the Partnership Level Security in respect of the property within the Property Portfolio in question would not be possible.

### ***Planning restrictions***

The Mortgaged Properties are generally subject to planning restrictions resulting from conditions imposed by planning permissions or statutory agreements entered into with the relevant local authority to secure the grant of a planning permission to which a Mortgaged Property is subject. In, and subject to, the Certificates of Title and the Overview Report or Scottish Overview Report (as applicable), the relevant law firms (other than Tods Murray LLP in respect of the Scottish Overview Report) confirm that the relevant Tesco group companies confirmed to each of them that each property within the Property Portfolio has the benefit of all planning and other covenants and regulatory approvals for the operation of each property within the Property Portfolio for its existing use.

## **Compulsory purchases**

Any property in the United Kingdom may at any time be compulsorily acquired by a public authority possessing compulsory purchase powers (for instance, local authorities and statutory undertakers (including electricity, gas, water and railway undertakers) in respect of their statutory functions) if it can demonstrate that the acquisition is required. Any promoter of a compulsory purchase order would need to demonstrate that the compulsory purchase was necessary or desirable for the promoter's statutory functions and/or in the public interest. Compulsory purchase of a property can also lead to a reduction in the rent payable under an occupational lease which is subject to the compulsory purchase.

As a general rule, if an order is made in respect of all or any part of a Mortgaged Property, compensation would be payable on a basis equivalent to the open market value of all the owners' and Occupational Tenants' proprietary interests in the relevant Mortgaged Property at the time of the purchase, so far as those interests are included in the order, taking account of diminution in value of any retained land and other adverse impacts of the compulsory purchase. There is often a delay between the compulsory purchase of a property and payment of the compensation, although advance interim payments of compensation may be available where the acquiring authority takes possession before compensation has been granted.

No compulsory purchase proposals have been revealed by the Overview Report or the Scottish Overview Report. Also, pursuant to the terms of the Substitution Agreement, the General Partner (on behalf of the Partnership) will be obliged, in compulsory purchase circumstances concerning the whole or a significant proportion of a Mortgaged Property which reduce market value by 10%, to substitute the affected Mortgaged Property pursuant to the Substitution Agreement. Tesco has also agreed to make whole any rent shortfall arising as a result of a compulsory purchase. (For further details as to such substitutions, please see "*Substitution, Alteration and Disposal of Mortgaged Properties*").

Nonetheless, it is possible that a compulsory purchase order may be made in respect of one or more of the Mortgaged Properties in the future. In such event, there is no guarantee that the amount of compensation received in connection with any compulsory purchase order, or that the substitution of a Mortgaged Property the subject of a compulsory purchase order, would not have an adverse effect on the ability of the Partnership to make payments under the Partnership Loan. Accordingly, it is possible that a compulsory purchase order may have an effect on the resources available to the Issuer to make payments on the Bonds.

## **Substitutions of Mortgaged Properties**

Under the terms of the Substitution Agreement, the Partnership and the Nominees will be entitled to substitute Mortgaged Properties in certain circumstances. The risks associated with the effect of a substitution of Mortgaged Properties on the value and rental income generative capacity of all the Mortgaged Properties are mitigated by the Substitution Criteria and conditions under the Substitution Agreement (as to which, see the section of this Prospectus entitled "*Summary of Transaction Documents*" and "*Substitution, Alteration and Disposal of Mortgaged Properties*").

## **Security over Mortgaged Properties**

The Nominees will grant first ranking standard securities over their interest (as tenants) in the Headleases of the properties within the Property Portfolio in Scotland in favour of TSL to secure the obligations contained in the Property Option Agreement, which gives TSL a future right to acquire the landlord's interests therein on the Occupational Lease Maturity Date. If the Nominees Security is enforced prior to that date, any disposal of the relevant properties will consequently be subject to the rights conferred by the Property Option Agreement. While the standard securities in

favour of TSL will rank in priority to those granted in favour of the Partnership Security Trustee over the relevant Mortgaged Properties, their effect will be limited to the provision of security for the obligation to sell on the Occupational Lease Maturity Date if the option granted by the Property Option Agreement is exercised.

### ***Reliance on Valuation Report***

There can be no assurance that the valuations given in the Valuation Report for each of the properties within the Property Portfolio will continue at a level equal to or in excess of such valuations. To the extent that the value of each of the properties within the Property Portfolio fluctuates, there is no assurance that the aggregate of the value of the properties within the Property Portfolio will remain at least equal to or greater than the sum of the unpaid principal and accrued interest and any other amounts due from the Partnership under the Partnership Loan Agreement and the other Partnership Transaction Documents. If any Mortgaged Property is sold following a Partnership Loan 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 Partnership Loan Agreement and the other Partnership Transaction Documents.

### ***Environmental risks***

Under the Partnership Loan Agreement, each of the Partnership and the Nominees will represent that it is in compliance in all material respects with environmental laws and regulations applicable to it as at the Closing Date and covenant to comply (or procure that the relevant Occupational Tenant complies) in all material respects with environmental laws and regulations currently applicable to it. However, a breach of environmental laws and/or regulations may occur in the future. Sanctions for alleged or actual non-compliance with environmental laws and/or regulations and the costs of remedying any such breach and the effect of any unremedied breach could have a material adverse effect on the value of Mortgaged Properties or their rental income generating capacity.

An Environmental Risk Assessment Report was prepared by Environ UK Limited in respect of each of the properties within the Property Portfolio, such reports being dated between September 2008 and August 2009 (together, the "**Environmental Reports**"). The Environmental Reports comprise a staged assessment focusing on ground contamination issues to identify properties within the Property Portfolio where there are potential contamination issues or likely significant contamination-related costs for the owner of any particular property within the Property Portfolio.

No significant environmental liabilities are identified at the properties within the Property Portfolio by the Environmental Reports, assuming continued use of the properties within the Property Portfolio as retail stores or (as appropriate) as distribution centres.

Various environmental laws may require a current or previous owner, occupier or operator of property to remediate substances or releases at or from such property that cause or are likely to cause harm to the environment or water pollution. These owners, occupiers or operators may also be obliged to pay damages in legal proceedings for property damage, investigation and clean-up costs and liabilities to third parties in connection with such substances.

Under the terms of the Occupational Leases, the Occupational Tenants (as guaranteed by the Occupational Tenant Guarantor) will indemnify the Landlord and its mortgagee or (as applicable) heritable creditor for any environmental liability incurred by the Landlord and its mortgagee or (as applicable) heritable creditor. That indemnity cannot extend to include any criminal liability.

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 unsaleable.

If any environmental liability were to exist or arise in respect of any Mortgaged Property, neither the Partnership Security Trustee nor (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee nor (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee should incur any such liability unless it could be established that the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee had entered into possession of the relevant Mortgaged Property(ies) or had exercised a significant degree of control or management of either the relevant Mortgaged Property(ies) or the relevant environmental problem(s). The Partnership Security Trustee or the Issuer Security Trustee or the Bond Trustee, if deemed to be a mortgagee or (in relation to Mortgaged Properties located in Scotland) heritable creditor in possession, or a receiver appointed by the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee, could become responsible for environmental liabilities in respect of a Mortgaged Property and any such liability could ultimately affect the amounts available to the Issuer to make payments under the Bonds. If the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee unduly directed or interfered with the actions of the directors or the legal owners of the Mortgaged Properties or 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 Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee. Even if any 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 Occupational Tenant in possession.

The Obligors will warrant in the Partnership Loan Agreement on the Closing Date, in respect of each of the properties within the Property Portfolio, as to environmental matters as summarised in the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement – Representations and warranties*". A breach of the environmental representation and warranty contained in the Partnership Loan Agreement will constitute a Partnership Loan Event of Default, unless the underlying circumstances are remedied within any relevant rectification period and save where the breach is immaterial.

The Environmental Risk Assessment Report prepared by Environ UK Limited for the property at Hexham states that the Environmental Agency has designated the area in which the Hexham property lies as being within Flood Risk Zone 3 with a greater than 1:100 annual probability of river flooding in any year. The Environmental Agency has provided historical flood data and modelled flood levels for the River Tyne situated approximately 250 metres north-east of the site. The modelled flood levels confirm that the site is set within Flood Risk Zone 3. Historical information for the site and surrounds shows that flooding has taken place in the surrounds of the site five times in the last sixty years which on two occasions, in 1965 and 1993, has encroached within the site boundary, flooding the north western yard area in 1965 and the northern yard and paved areas in 1993. In both events the outline of the flooding coincided with the footprint of the buildings which suggests that the buildings which were then on the site (the site was redeveloped with the erection of the current store in 2005) were not affected by the flooding. The Occupational Tenant will be

liable under the terms of the Occupational Lease for repairing any damage by flooding whether insurance can be obtained for flooding risk or not. Such obligation is guaranteed by Tesco under the Occupational Lease.

### **Reports**

Apart from the Certificates of Title, the Overview Report, the Scottish Overview Report, the Environmental Reports, the Structural Condition Survey prepared by Tuffin Ferraby Taylor LLP and dated August 2008 and July 2009, the Floor Area Data Capture Report prepared by G L Hearn Limited and dated from August 2007 to November 2008 and the Valuation Report, no new reports have been prepared specifically for the purpose of this document or the transactions contemplated herein and none of the Issuer, the Lead Manager, the Partnership Security Trustee, the Issuer Security Trustee or the Bond Trustee has reviewed such reports or made any independent investigation of any of the matters stated therein except as disclosed in this document.

### **Property management**

Whilst Spen Hill Management Limited, as the Property Pool Manager to be appointed on the Closing Date, is experienced in managing retail property, there can be no assurance that it will continue to act as Property Pool Manager. Although any successor manager of a Mortgaged Property appointed by the Partnership is required to be experienced in managing retail premises, there may be a delay in appointment of a successor or variation in the terms of any appointment of a successor or the appointment of any successor manager of a Mortgaged Property may have an adverse effect on the Issuer's ability to make payment on the Bonds.

### **Delegation**

Except to the limited extent described herein, none of the Partnership Security Trustee, the Issuer Security Trustee, the Bond Trustee nor any Bondholder nor any Issuer Secured Creditor nor any Partnership Secured Creditor has any right to participate in the management or affairs of the Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco or Depot Propco. In particular, such parties cannot supervise the functions relating to the management or operation of the Mortgaged Properties and the leasing and releasing of the space within the Mortgaged Properties or otherwise. The Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco or Depot Propco will each (as applicable) rely upon, *inter alios*, the Cash Manager, the Account Bank, the Property Pool Manager, the Property Advisor, the Partnership Operator, the Issuer/Issuer Holdco Corporate Services Provider, the Depot Propco Corporate Services Provider, the Nominees/Nominees Holdco Corporate Services Provider and the other service providers for all asset servicing functions. Failure by any such party to perform its obligations could have an adverse effect upon the Issuer's ability to make payments on the Bonds. 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, or engaged on the same terms applicable to the relevant service provider as at the Closing Date or on terms acceptable to the Partnership Security Trustee and/or the Issuer Security Trustee and/or the Bond Trustee (as applicable).

### **Risks relating to taxation**

#### ***Withholding tax on rental income***

Under UK law, rent in respect of a Schedule A business or UK property business which is due to a person whose usual place of abode is outside the United Kingdom is subject to withholding on account of UK income tax. The obligation to account to the HM Revenue & Customs for such

income may be imposed on the Occupational Tenants, or (where the landlord of the Occupational Leases is the Partnership or the Nominees) the Partnership, the Limited Partners, the Nominees or the General Partner, in accordance with the requirements of the United Kingdom tax legislation (each a "**prescribed person**").

HM Revenue & Customs has previously confirmed, in relation to a similar Jersey property unit trust ("**JPUT**"), that provided all the units in the relevant JPUT (in this case, the JPUT Limited Partner) are held by persons resident in the UK, the non-resident landlord scheme can be operated by reference to the location of the unitholders rather than the location of the JPUT Trustee. Notwithstanding HM Revenue & Customs' confirmation in relation to a similar JPUT, adopting a "belt and braces" approach, the JPUT Trustee will seek a direction from HM Revenue & Customs under the non-resident landlord scheme prior to the Closing Date. Provided all the units in the JPUT Limited Partner are held by persons resident in the UK (including trustees of UK registered pension schemes) or by persons not so resident who have themselves obtained a direction under the non-resident landlord scheme, all rent payments payable by the relevant Occupational Tenant pursuant to each Occupational Lease may be made without withholding or deduction on account of UK income tax and no such obligation to account to HM Revenue & Customs arises. Where the landlord of the Occupational Leases is the Partnership or the Nominees, a person intending to acquire units in the JPUT Limited Partner will be required to represent that it is: (i) a person who is beneficially entitled to the income of the Unit Trust for UK tax purposes and whose usual place of abode is in the UK for UK tax purposes; (ii) the trustee of a UK registered pension scheme (acting in his capacity as trustee of such UK registered pension scheme); or (iii) a transparent entity for UK tax purposes all of whose members fall within (i) or (ii) above.

In the event that an Occupational Tenant is required to withhold an amount for or on account of UK income tax from rent payments that it makes and to account to HM Revenue & Customs for the amounts so withheld, or (where the landlord of the Occupational Leases is the Partnership or the Nominees) if an obligation to account for United Kingdom income tax in respect of rent payments is imposed on the Partnership, the Nominees or the General Partner, the amount of the payment due from the Occupational Tenant will be increased so that the Partnership will receive a cash amount equal to that which it would have received had no such withholding been required to be made. The obligations of the Occupational Tenant to make such increased payments is guaranteed by the Occupational Tenant Guarantor. If an Occupational Tenant and the Occupational Tenant Guarantor do not have sufficient funds to enable them to make such increased payments to the Partnership, there could be an adverse effect on the Partnership's ability to meet the payment obligations under the Partnership Loan, the Partnership Swap Agreement and the other Partnership Transaction Documents and, if insufficient funds are paid pursuant to the Partnership Loan Guarantee, the Issuer's ability to meet its payment obligations under the Bonds and the other Issuer Transaction Documents.

***Withholding tax in respect of the Bonds, the Partnership Loan, the Partnership Swaps and the Issuer Swaps***

Under current law, all payments under the Bonds can be made without deduction or withholding on account of any UK tax provided that they continue to be listed on the Irish Stock Exchange (as to which see "*United Kingdom Taxation*").

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Bonds, neither the Issuer nor any Paying Agent nor any member of the Tesco Group nor any other person will be obliged to pay any additional amounts to Bondholders or, if Definitive Bonds are issued, Couponholders or to otherwise compensate Bondholders or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction. If such a withholding or deduction is required to be made, the Issuer will have the

option (but not the obligation) of redeeming all outstanding Bonds in full at their Principal Amount Outstanding (together with accrued interest) pursuant to Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality). For the avoidance of doubt, neither the Bond Trustee nor Bondholders nor, if Definitive Bonds are issued, Couponholders will have the right to require the Issuer to redeem the Bonds in these circumstances.

Under current law, all payments made under the Partnership Loan can be made without deduction or withholding for or on account of any United Kingdom tax. In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Partnership Loan Agreement, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required. In such circumstances, the Partnership will be entitled to claim from the relevant Occupational Tenants under the Occupational Leases such additional amount as is necessary to enable the Partnership to make such increased payments to the Issuer. In that event, the Partnership will have the option (but not the obligation) to prepay the amount outstanding in respect of the Partnership Loan under the Partnership Loan Agreement in full. If the Partnership chooses to prepay the Partnership Loan, the Issuer will be obliged to redeem the Bonds pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) at their Principal Amount Outstanding and (if applicable) a premium. If the Partnership does not have sufficient funds to enable such increased payments to be made to the Issuer as a result of the Occupational Tenants and the Occupational Tenant Guarantor not making the additional payments required under the Occupational Leases, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected.

Under current law, all payments to be made under the Issuer Swap Agreement and the Partnership Swap Agreement can be made without withholding or deduction for or on account of any United Kingdom tax. If, as a result of a change in law (or the application or official interpretation thereof) any withholding or deduction for or on account of any tax is required to be made from any payment due from the Issuer under the Issuer Swap Agreement or the Partnership Swap Agreement, the Issuer will not be obliged to pay any additional amounts to the other party in respect of the amounts so required to be withheld or deducted.

If, as a result of a change in law (or the application or official interpretation thereof) any withholding or deduction for or on account of any tax is required to be made from any payment due under the Issuer Swap Agreement by the Issuer Swap Provider, the Issuer Swap Provider shall in most circumstances be obliged to pay an additional amount to the Issuer, in a sufficient amount so that the amount received shall be equal to the amount due and payable had such withholding or deduction not been required, but in the event of a requirement to withhold for or on account of any tax by either party to the Issuer Swaps, the Issuer Swap Provider will have the right to terminate the Issuer Swaps (subject to the condition that the Issuer Swap Provider shall first have used reasonable efforts to transfer its rights and obligations under the Issuer Swap Agreement to another of its offices or affiliates or a third party such that payments made by or to that office or affiliate or third party under the Issuer Swap Agreement can be made without any withholding or deduction for or on account of tax and, in the event of such transfer to an affiliate or third party, the Issuer Swap Provider provides a guarantee relating to the obligations transferred for the benefit of the Issuer).

If the Partnership is obliged to withhold or deduct an amount on account of any tax from any payment to the Issuer under the Partnership Swaps, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required. In such circumstances, the Partnership will be entitled to claim from the relevant Occupational

Tenants under the Occupational Leases such additional amounts as are necessary to enable the Partnership to make such increased payments to the Issuer. In that event, the Partnership will have the option (but not the obligation) to prepay the amount outstanding under the Partnership Loan Agreement in full. If the Partnership chooses to prepay the Partnership Loan, the Issuer will be obliged to redeem the Bonds pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) at their Principal Amount Outstanding and (if applicable) a premium. If the Partnership does not have sufficient funds to enable such increased payments to be made to the Issuer as a result of the Occupational Tenants and the Occupational Tenant Guarantor not making the additional payments required under the Occupational Leases, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State (including Belgium from 1 January 2010) is 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 their jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and as a consequence of such a system, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Partnership, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If such a withholding tax would be imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (if there is any such Member State).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of Directive 2003/48/EC, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes and on 16 December 2008 the European Parliament Committee on Economic Affairs issued a draft report on this proposal (which was approved in amended form by the European Parliament on 24 April 2009). If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.



## **Insolvency considerations**

### ***English law security and insolvency considerations***

The Issuer will enter into the Issuer Deed of Charge on or about the Closing Date, pursuant to which the Issuer will grant the Issuer Security in respect of the Issuer's obligations (the "**Issuer's Secured Obligations**") under the Bonds and the other Issuer Transaction Documents (as to which, see "*Summary of Transaction Documents – The Issuer Deed of Charge*"). The Partnership and the General Partner will enter into the Partnership Deed of Charge on or about the Closing Date, pursuant to which the Partnership and the General Partner will grant security in respect of the Partnership Secured Obligations. Similarly, the Nominees will enter into the Nominees Deed of Charge on or about the Closing Date pursuant to which the Nominees will grant security in respect of the Partnership Secured Obligations. Further, Nominees Holdco will enter into the Nominees Holdco Deed of Charge on or about the Closing Date pursuant to which Nominees Holdco will grant security in respect of the Partnership Secured Obligations. In addition, Depot Propco will enter into the Depot Propco Deed of Charge on or about the Closing Date, pursuant to which Depot Propco will grant security in respect of the Partnership Secured Obligations. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Issuer Security may be delayed and/or the value of the relevant security impaired. Similarly, in certain circumstances, including the occurrence of certain insolvency events in respect of the Partnership, the General Partner, a Nominee, Nominees Holdco or Depot Propco, the ability to realise the Partnership Level Security granted by the relevant Obligor may be delayed and/or the value of the relevant security impaired. While the transaction structure is intended to minimise the likelihood of the Issuer, the Partnership, the General Partner, the Nominees, Nominees Holdco or Depot Propco becoming insolvent, there can be no assurance that the Issuer, the Partnership, the General Partner, the Nominees, Nominees Holdco or Depot Propco will not become insolvent and/or the subject of insolvency proceedings and/or that the Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws). In particular, see "*Administration of the Partnership*".

In addition, it should be noted that, to the extent that the assets of the Issuer, the Partnership, the General Partner, the Nominees, Nominees Holdco and Depot Propco, are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge under English law, there being no equivalent concept of recharacterisation of fixed security as floating charges under Scots law), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Issuer Security Documents and/or the Partnership Security Documents (as the case may be) may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer, the Partnership, the General Partner, the Nominees, Nominees Holdco and Depot Propco in the relevant Transaction Documents are intended to ensure they have no significant creditors other than the secured creditors under the Issuer Security Documents and/or the Partnership Security Documents (as the case may be) it will be a matter of fact as to whether the relevant company has any other such creditors at any time. The Bondholders may be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Security and/or the Partnership Level Security (as the case may be).

### ***Administration of the Partnership***

The making of an administration order under the Insolvency Act 1986 (as amended) (as applied to limited partnerships by virtue of the Insolvent Partnerships Order (SI 1994/2421)) prohibits a secured creditor from enforcing its security unless the consent of the administrator or the leave of the court is obtained. As the Partnership is an English limited partnership formed under the Limited Partnerships Act 1907, it will not be possible to block the making of an administration order

in respect of it and its assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay of proceedings upon the making of such an administration order, the Partnership Security Trustee would not be entitled to enforce its security over the Partnership's assets unless it obtained the consent of the administrator or approval of the court. In these circumstances it is likely that the Partnership Security Trustee would also be prevented from enforcing the security granted by the Nominees (since it largely relates to assets to which the Partnership is beneficially entitled) or by the General Partner without the consent of the administrator or the leave of the court.

In order to attempt to ensure that, in the event of an administration order is made in respect of the Partnership, the rental income and any disposal proceeds relating to the Mortgaged Properties continues to be applied in meeting the Partnership's obligations under the Partnership Loan, the Obligors have entered into arrangements pursuant to which the Partnership will direct the Nominees and Nominees Holdco to grant the Partnership Loan Guarantee guaranteeing the Partnership's obligations under, *inter alia*, the Partnership Loan Agreement and the other Partnership Transaction Documents. The Nominees will thus be required and empowered to satisfy their obligations under the Partnership Loan Guarantee out of the Trust Property. The rationale is that such payments to the Issuer under the Partnership Loan Guarantee should not violate the automatic stay provisions that would come into place upon the making of any administration order in respect of the Partnership. The effectiveness of such arrangements, however, could be challenged by an administrator or a third party creditor of the Partnership in the courts of England and Wales. Any such challenge could give rise to delays in enforcement of the security in respect of the Mortgaged Properties and the rents.

### ***Liquidation expenses***

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

As a result of the changes described above, upon the enforcement of the floating charge security granted by the Issuer, the Partnership and/or the other Obligors, respectively, floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the relevant Issuer Security Document and/or the relevant Partnership Security Document (as the case may be) will be reduced by at least a significant proportion of any liquidation expenses. The Bondholders may be adversely affected by such a reduction in floating charge realisations.

### ***Security over bank accounts and certain underlying assets***

The Nominees have established the Partnership Rent Account into which all rental income in respect of the Mortgaged Properties must be paid. Under the Nominees Deed of Charge, the Nominees will grant security over the Partnership Rent Account which will be expressed to be fixed security. The Partnership has, in accordance with the terms of the Cash Management Agreement, established a number of bank accounts into which, among other things, amounts standing to the credit of the Partnership Rent Account and disposal proceeds in respect of the Mortgaged Properties must be paid. The Partnership will grant, pursuant to the terms of the Partnership Deed of Charge, security over all of its interests in its relevant accounts, which security will be, other than in the case of certain operating accounts, expressed to be a first fixed charge. Furthermore, under the Issuer Deed of Charge, the Issuer will grant security over the Issuer Transaction Account and

all of its other bank accounts from time to time, which security will also be expressed to be fixed security.

Although various bank accounts are stated to be subject to various degrees of control, there is a risk that, if the Partnership Security Trustee or the Issuer Security Trustee (as appropriate) does not either have or exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, with the result that monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities or expenses were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

### ***Change of law***

The transactions described in this Prospectus (including the issue of the Bonds) and the ratings which are to be assigned to the Bonds are based on the relevant law and administrative practice in effect as at the date of this document and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this document or can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Bonds.

### ***Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Bonds***

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed which places enhanced emphasis on market discipline and sensitivity to risk. An updated version of the text of the proposed framework was published in November 2005 under the title "Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework" (the "**Framework**"). The Framework is being implemented in stages (partly from year-end 2006 and the most advanced from year-end 2007). However, the Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependant on the relevant national implementation process in those countries. As and when implemented, the Framework may affect risk-weighting of the Bonds for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures. Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development and no predictions can be made as to the precise effects of potential changes on any investor or otherwise.

### ***European Monetary Union***

It is possible that prior to the maturity of the Bonds, the United Kingdom may become a Participating Member State in the European Economic Monetary Union and therefore the Euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Bonds may become payable in Euro as to which see Condition 17 (European Economic and Monetary Union) of the Bonds. 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 Bonds.

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

## THE PROPERTY PORTFOLIO

### **Overview**

The Property Portfolio comprises 15 retail stores (each a "**Store**") and the two Distribution Centres located in England, Wales or Scotland which will, on the Closing Date, be beneficially owned under long leases by the Partnership. The geographic distribution of the Property Portfolio is indicated in the map in the Section entitled "*Geographic Distribution of the Property Portfolio*".

On or prior to the Closing Date, the General Partner will acquire long leases of the retail stores known as Beccles, Burnley Extra, Burscough Bridge, Cannock, Clowne, Coventry Walsgrave, Deysbrook Barracks, Greenock Extra, Hexham Extra, Merthyr Station Yard Extra, Oban, Pembroke Dock, Porthmadog, South Wigston and Uttoxeter and the two Distribution Centres known as Livingston and Magor (together, the "**Property Portfolio**") (for a further description of the acquisition of the Property Portfolio, see "*Transaction Overview*"). The Nominees will hold legal title to the properties within the Property Portfolio (the "**Trust Property**") on trust for the Partnership, in each case on the terms of the Declarations of Trust.

The properties within the Property Portfolio, together with any Incoming Properties substituted pursuant to the Substitution Agreement, are referred to herein together as the "**Mortgaged Properties**" and each as a "**Mortgaged Property**".

For the avoidance of doubt, a reference to Property Portfolio means any property within the Property Portfolio on the Closing Date and a reference to Mortgaged Property or Mortgaged Properties means any property within the Property Portfolio on the Closing Date and any other property which is substituted for such property and/or held by the Partnership from time to time as appropriate.

Please refer to the Valuation Report reproduced in the section of this document entitled "Valuation Report" for a description of the properties within the Property Portfolio as at 7 September 2009 (the "**Valuation Date**"), their values and the methodology and assumptions used to derive the values.

### **Occupational Leases**

Each property within the Property Portfolio will, from the Closing Date, benefit from an Occupational Lease. The Occupational Leases for each property within the Property Portfolio will be for a term expiring on the Occupational Lease Maturity Date.

The Occupational Leases are described in more detail in the sections of this document entitled "*Summary of Transaction Documents – The Occupational Leases*" and "*Summary of Transaction Documents – The Headleases*".

### **Acquisition of the Livingston Distribution Centre**

The heritable title (being the equivalent in Scotland to freehold in England and Wales) to the Livingston Distribution Centre is currently owned by a UK corporate developer (the "**Developer**"). TSL currently occupies the Livingston Distribution Centre under the terms of an occupational lease granted to it by the Developer (the "**Existing DC Lease**").

Prior to the Closing Date, TSL will assign its interest in the Existing DC Lease to the Partnership, which will make certain payments in connection with the acquisition of that lease using part of the proceeds of the Livingston Loan to be made by the Livingston Lender to the Partnership. The Partnership will lease the Livingston Distribution Centre back to TSL under the terms of a new

occupational lease (the "**DC Occupational Leaseback**") for a term commencing prior to the Closing Date and expiring on 17 November 2032, being the day before the expiry of the Existing DC Lease. The Developer will also grant Depot Propco an overriding lease for a term commencing prior to the Closing Date and expiring on 19 November 2032, being the day after the term of the Existing DC Lease expires (the "**DC Depot Propco Lease**"). Rent under the DC Depot Propco Lease will be £1 per annum, other than for the last day of its term (being 19 November 2032), when an amount corresponding to that last payable under the DC Occupational Leaseback, calculated on a pro rata basis, will be due.

Immediately following the implementation of the steps outlined above, the Developer will transfer to Tesco Property Holdings Limited ("**TPHL**") the heritable title to the Livingston Distribution Centre. That transfer will be effected by way of a subsale directed by a third party bank (as the intermediate entity). Immediately following that transfer TPHL will grant to the Partnership a head lease, for a 175 year term, commencing prior to the Closing Date, of the Livingston Distribution Centre (the "**DC Head Lease**"). The Partnership will use the remaining part of the proceeds of the Livingston Loan to acquire the DC Head Lease. Rent under the DC Head Lease will be £2 per annum. The DC Head Lease will be granted subject to, and with the benefit of, the DC Depot Propco Lease (which in turn is subject to, but has the benefit of, the Existing DC Lease). The Existing DC Lease is subject to, but has the benefit of, the DC Occupational Leaseback and certain reversionary interests of TSL in the Livingston Distribution Centre explained immediately below.

Prior to the Closing Date and following the steps outlined above, (i) the Partnership will grant to TSL out of the Existing DC Lease, a licence to occupy the Livingston Distribution Centre for one day immediately following the expiry of the DC Occupational Leaseback (being 18 November 2032) ("**Licence 1**"), (ii) Depot Propco will grant to TSL out of the DC Depot Propco Lease, a licence to occupy the Livingston Distribution Centre for one day immediately following the expiry of Licence 1 (being 19 November 2032) ("**Licence 2**") and (iii) the Partnership will grant to TSL out of the DC Head Lease an overriding lease of the Livingston Distribution Centre for a term commencing prior to the Closing Date and expiring on 24 December 2039 (the "**DC Parallel Lease**"). The Principal Rent under the DC Parallel Lease will be £1 per annum with effect from the commencement of its term until 18 November 2032 (being the date immediately before the date on which the term of the DC Depot Propco Lease expires). With effect from 19 November 2032 (being the date on which the term of the DC Depot Propco Lease expires), the principal rent under the DC Parallel Lease will increase to an amount corresponding to that last payable under the DC Occupational Leaseback and thereafter will increase on the same basis as the increase in principal rent under the DC Occupational Leaseback.

The steps outlined above ensure that TSL has occupational leasehold interests in the Livingston Distribution Centre (and the Partnership has the benefit of the lease obligations from TSL), which, taken together, are for a term expiring on 24 December 2039 and on the same terms as the Occupational Leases for the other properties within the Property Portfolio.

### ***Property Portfolio values***

Cushman & Wakefield LLP (the "**Valuers**") have valued the Property Portfolio, as at the Valuation Date. The Valuation Report includes the Market Value (on the special assumption of vacant possession and Market Rent (as each term is defined in the Valuation Report)) of the Partnership's interest in respect of each of the properties within the Property Portfolio as at the Valuation Date. Please refer to the Valuation Report reproduced in the section of this document entitled "*Valuation Report*" for the details of the valuation.

## **Security**

The Property Portfolio will form part of the security held by the Partnership Security Trustee in respect of the Partnership Secured Obligations pursuant to the Partnership Deed of Charge, the Nominees Deed of Charge and the Depot Propco Deed of Charge.

## **Certificates of Title**

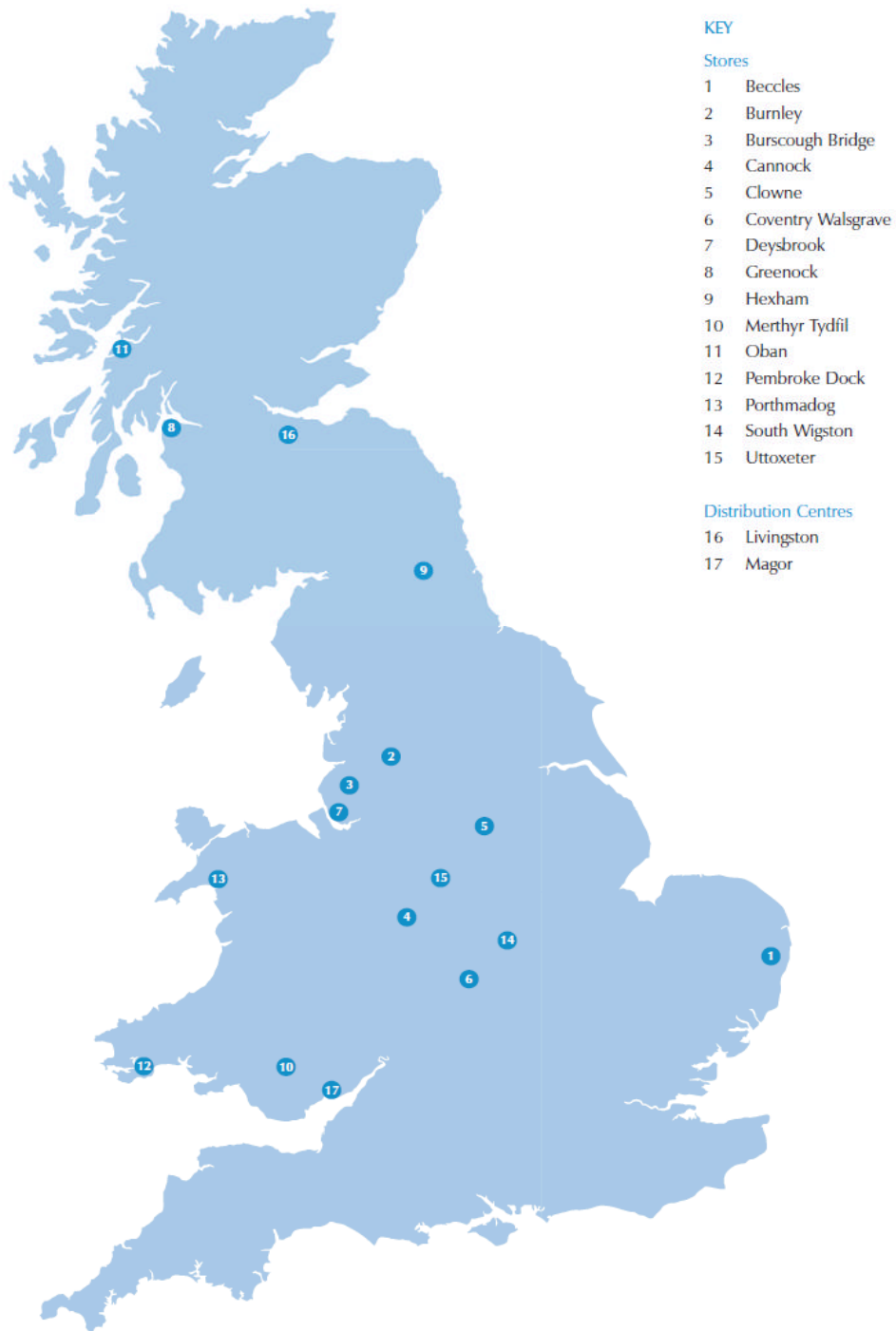
A certificate of title in respect of each property within the Property Portfolio (the "**Certificates of Title**" and each a "**Certificate of Title**") will be given on the Closing Date by Berwin Leighton Paisner LLP in respect of the properties in England and Wales and by Semple Fraser LLP in respect of the properties in Scotland as the solicitors to the Tesco Group, the Issuer, the Partnership, the General Partner and the Tesco Limited Partner.

The Certificates of Title will address the quality of title of each property within the Property Portfolio and will be issued on the basis of Berwin Leighton Paisner LLP's or Semple Fraser LLP's (as appropriate) review of the title documents supplied by the Tesco Group, the Issuer, the Partnership, the General Partner and the Tesco Limited Partner and customary conveyancing searches and enquiries. The Certificates of Title will be based on the City of London Law Society Land Law Committee long form certificate of title, 6th Edition 2007 (with slight amendment), which is a recognised standard form document used in the legal profession.

Berwin Leighton Paisner LLP have also prepared the Overview Report and Tods Murray LLP have prepared the Scottish Overview Report (for a further description of risks relating to the Property Portfolio, the Certificates of Title, the Overview Report and the Scottish Overview Report, please see the section of this document entitled "*Risk Factors*"). None of the Lead Manager, the Partnership Security Trustee, the Issuer Security Trustee, the Bond Trustee or their legal advisors have reviewed the Certificates of Title but have instead reviewed and relied upon the Overview Report and the Scottish Overview Report.

For more information with respect to the values and the title to the properties within the Property Portfolio, see the sections of this document entitled "*Valuation Report*" and "*Risk Factors*".

## GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO





## SUMMARY OF TRANSACTION DOCUMENTS

*The following is intended only to be a summary of certain provisions of the principal Transaction Documents.*

### **The Partnership Loan Agreement**

The Issuer will advance the Partnership Loan in an aggregate principal amount of £564,500,000 to the Partnership on the Closing Date pursuant to the Partnership Loan Agreement.

The Partnership will apply the proceeds of the Partnership Loan (together with other available funds) to (i) repay the Livingston Loan to be made by the Livingston Lender to the Partnership to fund the acquisition of the DC Head Lease by the Partnership and certain payments to be made by the Partnership in connection with acquisition of the Existing DC Lease as explained in the section headed "*Acquisition of the Livingston Distribution Centre*" above; (ii) acquire the long lease of the Magor Distribution Centre; (iii) acquire long leases of the retail stores known as Beccles, Burnley Extra, Burscough Bridge, Cannock, Clowne, Coventry Walsgrave, Deysbrook Barracks, Greenock Extra, Hexham Extra, Merthyr Station Yard Extra, Oban, Pembroke Dock, Porthmadog, South Wigston and Uttoxeter; (iv) make a deposit of £6,250 to the Partnership Transaction Account credited to the Partnership Expenses Reserve Ledger; (v) make a deposit to the Partnership Transaction Account in an amount equal to the difference between the amount, in aggregate, of the Partnership Fixed Legs for the first payment date under the Partnership Swaps and the amount of interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement; and (vi) meet certain expenses associated with the transactions described in this Prospectus.

### **Interest on the Partnership Loan**

The rate of interest on the Partnership Loan will be 6.0517 per cent. per annum. Interest will be paid by the Partnership to the Issuer quarterly in arrear on each Loan Interest Payment Date.

As the first Loan Interest Period is shorter than the first Bond Interest Period, the amount of interest payable on the Partnership Loan on the first Loan Interest Payment Date will be insufficient to meet the interest payable on the Bonds on the first Bond Interest Payment Date. The difference in interest accrued will be an amount equal to three days of interest due under the Bonds. The Partnership will pay a fee (the "**Partnership First Loan Interest Payment Date Fee**") to the Issuer on the first Loan Interest Payment Date in an amount equal to this amount on the first Loan Interest Payment Date. This difference in interest accrued is relevant for the first Bond Interest Payment Date only.

### **Scheduled amortisation of the Partnership Loan**

Subject to any early prepayment of the Partnership Loan in accordance with the terms of the Partnership Loan Agreement, the Partnership Loan will be repayable in instalments on each Loan Interest Payment Date from (and including) the Amortisation Commencement Date in the amount set out opposite the relevant Loan Interest Payment Date below (each a "**Partnership Amortisation Amount**"). If any partial prepayment occurs on a Loan Interest Payment Date, then each Partnership Amortisation Amount which falls to be paid after such prepayment shall be reduced by a proportion of such Partnership Amortisation Amount which is the same proportion as the prepayment bears to the outstanding principal amount of the Partnership Loan immediately prior to such prepayment but after deducting any scheduled repayments made in accordance with the Partnership Loan Agreement on such Loan Interest Payment Date.

10 January 2010	0.00	10 October 2016	2,538,648.00
10 April 2010	1,718,097.00	10 January 2017	2,577,056.00
10 July 2010	1,744,091.00	10 April 2017	2,616,045.00
10 October 2010	1,770,477.00	10 July 2017	2,655,624.00
10 January 2011	1,797,263.00	10 October 2017	2,695,802.00
10 April 2011	1,824,455.00	10 January 2018	2,736,587.00
10 July 2011	1,852,057.00	10 April 2018	2,777,990.00
10 October 2011	1,880,077.00	10 July 2018	2,820,019.00
10 January 2012	1,908,522.00	10 October 2018	2,862,683.00
10 April 2012	1,937,396.00	10 January 2019	2,905,994.00
10 July 2012	1,966,707.00	10 April 2019	2,949,959.00
10 October 2012	1,996,462.00	10 July 2019	2,994,590.00
10 January 2013	2,026,667.00	10 October 2019	3,039,896.00
10 April 2013	2,057,329.00	10 January 2020	3,085,887.00
10 July 2013	2,088,455.00	10 April 2020	3,132,574.00
10 October 2013	2,120,052.00	10 July 2020	3,179,968.00
10 January 2014	2,152,127.00	10 October 2020	3,228,078.00
10 April 2014	2,184,687.00	10 January 2021	3,276,917.00
10 July 2014	2,217,739.00	10 April 2021	3,326,494.00
10 October 2014	2,251,292.00	10 July 2021	3,376,821.00
10 January 2015	2,285,352.00	10 October 2021	3,427,910.00
10 April 2015	2,319,928.00	10 January 2022	3,479,772.00
10 July 2015	2,355,027.00	10 April 2022	3,532,418.00
10 October 2015	2,390,657.00	10 July 2022	3,585,861.00
10 January 2016	2,426,825.00	10 October 2022	3,640,112.00
10 April 2016	2,463,542.00	10 January 2023	3,695,184.00
10 July 2016	2,500,813.00	10 April 2023	3,751,090.00

10 July 2023	3,807,841.00	10 April 2030	5,711,564.00
10 October 2023	3,865,451.00	10 July 2030	5,797,975.00
10 January 2024	3,923,932.00	10 October 2030	5,885,694.00
10 April 2024	3,983,298.00	10 January 2031	5,974,741.00
10 July 2024	4,043,563.00	10 April 2031	6,065,134.00
10 October 2024	4,104,739.00	10 July 2031	6,156,895.00
10 January 2025	4,166,840.00	10 October 2031	6,250,044.00
10 April 2025	4,229,881.00	10 January 2032	6,344,603.00
10 July 2025	4,293,876.00	10 April 2032	6,440,592.00
10 October 2025	4,358,839.00	10 July 2032	6,538,033.00
10 January 2026	4,424,785.00	10 October 2032	6,636,948.00
10 April 2026	4,491,729.00	10 January 2033	6,737,360.00
10 July 2026	4,559,686.00	10 April 2033	6,839,292.00
10 October 2026	4,628,670.00	10 July 2033	6,942,765.00
10 January 2027	4,698,699.00	10 October 2033	7,047,804.00
10 April 2027	4,769,786.00	10 January 2034	7,154,432.00
10 July 2027	4,841,950.00	10 April 2034	7,262,673.00
10 October 2027	4,915,205.00	10 July 2034	7,372,552.00
10 January 2028	4,989,568.00	10 October 2034	7,484,093.00
10 April 2028	5,065,056.00	10 January 2035	7,597,322.00
10 July 2028	5,141,687.00	10 April 2035	7,712,264.00
10 October 2028	5,219,477.00	10 July 2035	7,828,944.00
10 January 2029	5,298,444.00	10 October 2035	7,947,390.00
10 April 2029	5,378,605.00	10 January 2036	8,067,628.00
10 July 2029	5,459,979.00	10 April 2036	8,189,686.00
10 October 2029	5,542,585.00	10 July 2036	8,313,589.00
10 January 2030	5,626,440.00	10 October 2036	8,439,368.00

10 January 2037	8,567,049.00	10 October 2038	9,516,574.00
10 April 2037	8,696,662.00	10 January 2039	9,660,553.00
10 July 2037	8,828,236.00	10 April 2039	9,806,710.00
10 October 2037	8,961,801.00	10 July 2039	9,955,078.00
10 January 2038	9,097,386.00	10 October 2039	10,104,115.00
10 April 2038	9,235,023.00		
10 July 2038	9,374,742.00		

### **Prepayment of the Partnership Loan**

#### *Mandatory prepayment*

- (a) The Partnership shall, upon giving not less than 20 and not more than 40 days prior written notice (or, in the case of paragraph (ii) below, upon giving such shorter notice as may be necessary to address the applicable illegality) to the Issuer, prepay the Partnership Loan:
- (i) in part (as detailed below) on any Loan Interest Payment Date, if any interest in any Mortgaged Property is sold as a result of (1) a CPO Disposal (other than a CPO Disposal in respect of which a substitution is required) that generates proceeds (net of costs incurred by the Partnership in relation thereto and after Tax) in excess of £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) (a "Required Partnership CPO Prepayment") or (2) any Voluntary Disposal;
  - (ii) in whole (but not in part), if it becomes unlawful for the Issuer to make, fund or permit to remain outstanding the Partnership Loan or for the Partnership to permit the Partnership Loan to remain outstanding (a "Required Partnership Illegality Prepayment"); and
  - (iii) in part (as detailed below) on any Loan Interest Payment Date following receipt of any proceeds of insurance or self-insurance relating to any Mortgaged Property which are to be applied in prepayment in accordance with the provisions of the Partnership Loan Agreement and the proceeds of which are in excess of £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) (a "Required Partnership Insurance Prepayment").

#### *Voluntary prepayment*

- (b) The Partnership may also, upon giving not less than 20 and not more than 40 days prior written notice to the Issuer, for any reason, prepay the Partnership Loan in whole or in part (subject to a minimum of £1,000,000) on any Loan Interest Payment Date (any such prepayment or redemption being a "**Voluntary Partnership Prepayment**"), provided that it has supplied to the Issuer a certificate signed without personal liability by two officers of the General Partner to the effect that it has or will have the funds on the relevant Loan Interest Payment Date, not subject to the interest of any other person, required to prepay the Partnership Loan in accordance with the Partnership Loan Agreement and meet its

payment obligations of a higher priority under the Partnership Pre-Enforcement Priority of Payments.

- (c) The proceeds of any CPO Disposal or insurance or self insurance referred to in paragraphs (a)(i) and (a)(iii) above respectively which are equal to or less than £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) must be applied to the Partnership Expenses Reserve Ledger in accordance with the Cash Management Agreement, provided that if the balance on that ledger is equal to or more than the Partnership Expenses Reserve Ledger Maximum Balance the proceeds may be applied to the Partnership Distribution Account.

#### *General prepayment terms*

- (d) The Partnership shall on the relevant Loan Interest Payment Date (or, in the case of prepayment as a result of illegality, on such other date as is required pursuant to the terms of the Partnership Loan Agreement):
- (i) in the case of any Required Partnership CPO Prepayment or Required Partnership Insurance Prepayment, use the amount thereof to prepay the Partnership Loan in such amount after making a deduction for any sums due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment, the disposal and/or consequential redemption of the Bonds (which shall also be paid out of such amount), including:
- (1) any amounts in respect of Partnership Spens Excess (as defined below) payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
  - (2) any amount payable to the Issuer due to the termination of the Partnership Swaps or any payment under the Partnership Swap Agreement as a result of a notional amount being reduced in consequence of such prepayment (a "**Partnership Swap Termination Amount**");
- (ii) in the case of any prepayment as a result of a Voluntary Disposal, prepay the Partnership Loan in an amount equal to the Partnership Prepayment Amount and, in addition, pay to the Issuer:
- (1) all accrued and unpaid interest then outstanding on the Partnership Loan being prepaid; and
  - (2) any other amounts due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment, the disposal and/or consequential redemption of the Bonds including:
    - (A) any amounts in respect of Partnership Spens Excess (as defined below) payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
    - (B) any Partnership Swap Termination Amount;
- (iii) in the case of any Required Partnership Illegality Prepayment, pay or prepay all amounts owed to the Issuer including:
- (1) the then aggregate principal amount outstanding of the Partnership Loan;

- (2) all accrued and unpaid interest then outstanding on the Partnership Loan; and
  - (3) any other amounts due and payable to the Issuer under the Partnership Transaction Documents, including any Partnership Swap Termination Amount; and
- (iv) in the case of any Voluntary Partnership Prepayment, prepay the Partnership Loan in the amount of such Voluntary Partnership Prepayment and, in addition, pay to the Issuer the aggregate of:
- (1) all accrued and unpaid interest then outstanding on the Partnership Loan being prepaid; and
  - (2) any other amounts due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment and/or consequential redemption of the Bonds, including:
    - (A) any amounts in respect of Partnership Spens Excess (as defined below) payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
    - (B) any Partnership Swap Termination Amount.

*Defined terms*

- (e) The "**Original Principal Rent**" means, in relation to a property within the Property Portfolio, the Principal Rent of that property as at the Closing Date.

The "**Partnership Prepayment Amount**" means 115% of the Partnership Allocated Loan Amount for the Mortgaged Property which is the subject of the Voluntary Disposal.

The "**Partnership Allocated Loan Amount**" is as follows:

$$A \times \left( \frac{B}{C} \right)$$

where:

"**A**" equals the then Principal Amount Outstanding of the Bonds;

"**B**" equals: (i) in the case of the relevant property within the Property Portfolio being owned by the Partnership as at the Closing Date, the Original Principal Rent ascribed to such property; (ii) in the case of the relevant Mortgaged Property being owned by the Partnership only as a result of a substitution of an Outgoing Property, the Original Principal Rent ascribed to such Outgoing Property; and (iii) in the case of the relevant Mortgaged Property being owned as a result of a substitution of an Outgoing Property with more than one incoming property, the amount of the Original Principal Rent ascribed to that Outgoing Property and apportioned to those incoming properties in accordance with the formula referred to in the Partnership Loan Agreement; and

"**C**" equals the aggregate Original Principal Rent for all properties within the Property Portfolio.

The "**Partnership Spens Excess**" means, in relation to the Bonds to be redeemed with the Partnership Prepayment Amount or other amount prepaid (as applicable), the amount by which the amount calculated pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) ("**Redemption Amount**") exceeds the Principal Amount Outstanding of the Bonds.

#### *Application by Issuer*

- (f) The Issuer shall, in accordance with the relevant Issuer Priority of Payments, apply the proceeds arising from the prepayment of the Partnership Loan towards the early redemption of the Bonds and any resulting payment under the Issuer Swap Agreement.

#### **Partnership Facility Fees**

In consideration of the Issuer making the Partnership Loan available to the Partnership, the Partnership will pay to the Issuer:

- (a) on the Closing Date, an initial fee in an amount equal to all the fees, costs and expenses properly and reasonably incurred by the Issuer in connection with the making of the Partnership Loan, the issue of the Bonds, the entry into the Partnership Swaps and the Issuer Swaps and the negotiation, preparation and execution of each Issuer Transaction Document plus an additional amount which (after deduction of the corporation tax payable by the Issuer) will enable the Issuer to declare a dividend to Issuer Holdco in an amount sufficient for Issuer Holdco to repay the Issuer/Issuer Holdco Corporate Services Provider the money advanced to it) (the "**Initial Partnership Facility Fee**"); and
- (b) on each Loan Interest Payment Date, a further fee in an amount equal to the Issuer Profit and such other amounts as are then necessary to enable the Issuer to pay or provide for all amounts (other than any payments of interest on, and repayments of principal (including any Redemption Amount) in respect of, the Bonds and any payments in respect of the Issuer Swaps and/or the Partnership Swaps) falling due, in accordance with the relevant Issuer Priority of Payments on such Loan Interest Payment Date (the "**Ongoing Partnership Facility Fee**" and, together with the Initial Partnership Facility Fee, the "**Partnership Facility Fees**").

#### **Withholding tax on the Partnership Loan**

All payments of interest made to the Issuer on the Partnership Loan will be made free and clear of, and without withholding or deduction for, any tax unless such withholding or deduction is required by law. If any such withholding or deduction is so required, the amount of the payment due to the Issuer will be increased, subject to and in accordance with the terms of the Partnership Loan Agreement, to the extent necessary to ensure that, after that withholding or deduction has been made, the amount received by the Issuer is equal to the amount that it would have received had that withholding or deduction not been required.

#### **Representations and warranties**

No independent investigation with respect to the matters warranted in the Partnership Loan Agreement will be made by the Issuer, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee, other than searches made on the Closing Date against the Partnership, the General Partner, Depot Propco, the Nominees and Nominees Holdco (together, the "**Obligors**") 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 properties within the Property Portfolio at the Land Registry or (as applicable) the Registers of Scotland. Apart from such searches, in

relation to such matters, the Issuer, the Bond Trustee, the Issuer Security Trustee and the Partnership Security Trustee will rely entirely on the representations and warranties to be given by the Obligors pursuant to the terms of the Partnership Loan Agreement.

These include representations and warranties, which may be limited by certain materiality qualifications in certain circumstances, as to the following and other matters:

- due incorporation, establishment, ownership and power and authority of the Obligors;
- (subject to the due registration of the relevant legal titles) on the Closing Date the Nominees jointly being the sole legal owners and the Partnership being the sole beneficial owner of each Headlease of each Mortgaged Property and having good and valid title to that interest;
- no security interest existing over all or any of the Obligors present or future revenues or assets other than certain permitted security interests;
- each of the Partnership Transaction Documents to which it is a party to constituting legal, valid and binding obligations of the relevant Obligors and being enforceable in accordance with their terms (subject to due registration of security interests and certain other reservations);
- no Partnership Loan Event of Default has occurred and is continuing;
- compliance with all applicable environmental laws and environmental licences;
- no conflict existing between the relevant Partnership Transaction Documents and applicable laws, regulations and the relevant Obligor's constitutional documents;
- no litigation, arbitration, administrative proceedings or governmental or regulatory investigations or proceedings or disputes being current or to its knowledge and belief after making reasonable enquiry threatened or pending against an Obligor or its respective assets, revenues or undertakings which are expected to be adversely determined against it and which, if so adversely determined against it, would be reasonably expected to have a Partnership Adverse Effect (as defined below);
- no deduction or withholding for or on account of any Tax being required to be made by an Obligor from any payment it may make under the relevant Partnership Transaction Documents;
- the accuracy of the information in respect of the properties within the Property Portfolio provided to the solicitors who prepared the Certificates of Title, the environmental consultants who prepared the Environmental Reports, the valuers who prepared the Valuation Report, the surveyors who prepared the Structural Condition Survey and the surveyors who prepared the Floor Area Data Capture Report;
- each Obligor's most recent audited financial statements (to the extent that such financial statements have been prepared and are required to be audited) having been prepared in accordance with generally accepted accounting principles in the United Kingdom, if applicable, and giving a true and fair view of its financial condition;
- as at the Closing Date, no liabilities or contingent liabilities are existing other than in respect of the Partnership Secured Obligations, any costs, liabilities and expenses incurred in connection with the transactions contemplated by the Partnership Transaction Documents



and certain tax liabilities incurred prior to the Closing Date (as to which see the "Tax Deed of Covenant" or the SDLT Deed of Covenant) and certain permitted financial indebtedness;

- as at the Closing Date, no Obligor has traded or carried on any business or engaged in any activities since its date of incorporation or formation (as the case may be) other than described in this Prospectus or referred to in the Partnership Transaction Documents;
- no Obligor has any outstanding financial indebtedness whatsoever other than pursuant to, or as envisaged in, the Partnership Transaction Documents;
- no Obligor is party to any material agreements other than the Partnership Transaction Documents to which it is a party; and
- each Obligor has duly paid and discharged all Taxes for which it is primarily liable within the time period allowed without incurring penalties (save to the extent that payment is being disputed, challenged or contested in good faith) and has complied with all Tax laws where failure to pay and discharge such Taxes or to comply with such laws would reasonably be expected to have a Partnership Adverse Effect (as defined below).

Certain of the above representations and warranties will be repeated on each Loan Interest Payment Date, by reference to the facts and circumstances then existing.

"**Tax**" means any present or future tax, levy, impost, duty or other charge or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority, and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly.

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world, including HM Revenue & Customs or any successor thereof.

### ***Covenants – General***

Pursuant to the terms of the Partnership Loan Agreement, the Obligors will give certain covenants (which may be limited in certain circumstances by certain materiality qualifications) in favour of the Issuer and the Partnership Security Trustee, including, without limitation:

- to comply with the terms of the tenants' obligations under the headleases of the Mortgaged Properties under which the Nominees hold their interest in the Mortgaged Properties (the "**Headleases**") and the landlords' obligations under the Occupational Leases;
- not to carry out and/or agree to any alterations to a Mortgaged Property unless permitted by the terms of the relevant Occupational Lease or with the consent of the Partnership Security Trustee;
- to take such steps as a prudent owner would take, with a view to ensuring that an Occupational Tenant keeps and maintains the relevant Mortgaged Properties in good and substantial repair and condition;
- to take such steps as a prudent owner would take, with a view to ensuring that an Occupational Tenant complies in all material respects with laws and regulations relating to or affecting the Mortgaged Properties (including in relation to environmental and planning laws and regulations) and, upon the failure by an Occupational Tenant to so do, to comply

in all material respects with laws and regulations relating to or affecting the Mortgaged Properties (including in relation to environmental and planning laws and regulations);

- to maintain insurance in respect of the Mortgaged Properties where the Occupational Tenants have failed to meet the insurance requirements of the Occupational Leases (which allows the Occupational Tenants to self insure where permitted pursuant to and in accordance with the terms of the Occupational Leases);
- to supply to the Issuer and the Partnership Security Trustee ongoing updated financial statements and certain other information with respect to each Obligor;
- to notify the Issuer and the Partnership Security Trustee of any occurrence of a Partnership Loan Event of Default or a Partnership Loan Potential Event of Default;
- not to acquire any assets or businesses unless in accordance with and pursuant to the terms of the Partnership Transaction Documents or otherwise have any subsidiaries or enter into any merger;
- not to assume any liability for any financial indebtedness unless such indebtedness is in accordance with the terms of the Partnership Transaction Documents; and
- not to incur any financial indebtedness except certain permitted financial indebtedness.

The effect of the breach of certain of the covenants described above may be subject to a rectification period and/or subject to whether the relevant breach would have or would reasonably be expected to have a Partnership Adverse Effect (as defined below).

### ***Covenants – Disposals***

In addition to the general covenants described above, no Obligor shall be entitled to dispose of any assets (including any interest in a Mortgaged Property), unless permitted to do so pursuant to the terms of the Partnership Loan Agreement and the other Partnership Transaction Documents (including, in particular, the Substitution Agreement). For further details as to the circumstances where substitutions and disposals are permitted pursuant to the terms of the Partnership Transaction Documents, see the section of this document entitled "*Substitution, Alteration and Disposal of Mortgaged Properties*".

### ***Relationship between Partnership Loan and the Bonds***

The service of a Partnership Enforcement Notice will constitute a Bond Event of Default. However, this will not necessarily result in the Bonds becoming immediately due and repayable unless the Bond Trustee delivers a Bond Acceleration Notice. The service of a Bond Acceleration Notice shall be at the discretion of the Bond Trustee, or when requested or directed by the Bondholders, subject to and in accordance with Condition 9.1 (Bond Events of Default - Bond Acceleration Notice). A Partnership Loan Event of Default will also occur upon the occurrence of any Bond Event of Default which is continuing.

### ***Security for the Partnership Loan***

The obligations of the Obligors under the Partnership Loan Agreement will be secured, pursuant to the terms of the Partnership Security Documents, over the assets, property and undertaking of the Obligors (including, *inter alia*, the Mortgaged Properties, the Partnership Accounts, the Partnership Rent Account and Nominees Holdco's shares in the Nominees, as further described in the section of this document entitled "*The Partnership Security Documents*".

### **Partnership Loan Guarantee**

The obligations of the Partnership under the Partnership Loan Agreement will be guaranteed (on a limited recourse basis) by the other Obligor (the "**Partnership Loan Guarantee**").

### **Partnership Loan Events of Default**

The Partnership Loan Agreement will contain a list of the events (the "**Partnership Loan Events of Default**") that may lead to a default and acceleration of any amounts outstanding in respect of the Partnership Loan, including:

- failure to meet the payment obligations under the Partnership Loan;
- breach of the Obligor's representations and warranties given pursuant to the Partnership Loan Agreement;
- breach of the Obligor's covenants under the Partnership Loan Agreement;
- the occurrence of a Bond Event of Default which is continuing;
- the occurrence of an Obligor Insolvency Event;
- if a party (other than the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee) to the Tax Deed of Covenant fails to perform or comply with any covenant therein or breaches any representation and/or warranty therein; and
- if any Obligor fails to comply with any or all of its other obligations under any other Partnership Transaction Document.

Certain of these events are subject to a rectification period (the "**Partnership Loan Potential Events of Default**"). Also, certain of these events contain a materiality test where the occurrence of an event will not necessarily lead to a Partnership Loan Event of Default unless the occurrence of such an event also would have or would reasonably be expected to have a Partnership Adverse Effect (for example, a breach of any repeating representation or warranty, the occurrence of any litigation or termination of the Partnership Operating Agreement) whereas the occurrence of other events will automatically constitute a Partnership Loan Event of Default without such materiality (for example, failure to pay (subject to a grace period), occurrence of a Bond Event of Default which is continuing, an Obligor Insolvency Event or where the Occupational Tenant Guarantor becomes insolvent).

**"Obligor Insolvency Event"** means, in respect of any Obligor:

- (a) it is or is deemed to be unable or admits its inability to pay its debts as they fall due or suspends making payments on any of its debts; or
- (b) it is deemed to be unable to pay its debts pursuant to section 123 of the Insolvency Act 1986; or
- (c) a moratorium is declared in respect of any indebtedness of the Obligor (other than subordinated debt); or
- (d) the commencement of negotiations with one or more creditors of the Obligor with a view to rescheduling any indebtedness of the Obligor (other than subordinated debt); or

- (e) any corporate action, legal proceedings or other formal procedure or step is taken in relation to:
  - (i) the appointment of an Insolvency Official in relation to the Obligor or in relation to the whole or any part of the undertaking or assets of the Obligor; or
  - (ii) an encumbrancer (excluding the Partnership Security Trustee or any receiver of the Obligor appointed by the Partnership Security Trustee) taking possession of the whole or any material part of the undertaking or assets of the Obligor and such possession not being discharged or ceasing to apply within 30 days; or
  - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of the Obligor, an insolvent reorganisation or winding-up of the Obligor, a conveyance to or assignment for the creditors of the Obligor generally or the making of an application to a court of competent jurisdiction for protection from the creditors of the Obligor generally; or
  - (iv) any distress, execution, diligence, attachment or other process being levied or enforced or imposed upon or against the whole or any material part of the undertaking or assets of the Obligor (excluding by the Partnership Security Trustee or any receiver of the Obligor appointed by the Partnership Security Trustee) and the same not be discharged or otherwise ceasing to apply within 30 days; or
  - (v) any procedure or step is taken, or any event occurs, analogous to those set out in (i) – (iv) above, in any jurisdiction,

provided that an Obligor Insolvency Event shall not be considered to have occurred in relation to an Obligor where the value of the assets of an Obligor is less than the amount of its liabilities, solely due to the fact that the value of the assets of the Obligor has been materially and adversely affected by:

- (1) a diminution in the value of the Mortgaged Properties which is attributable to Market Conditions; or
- (2) a diminution in the value of the Partnership Swaps.

For this purpose:

**"Market Conditions"** means, in relation to one or more Mortgaged Properties, conditions applicable generally in the market for similar properties in the same market; and

**"Insolvency Official"** means a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager or other similar officer or analogous officer.

Upon and at any time after the occurrence of a Partnership Loan Event of Default which is continuing unremedied and unwaived, the Partnership Security Trustee may, and, if so directed by the Issuer Security Trustee, shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) serve an enforcement notice in respect of the Partnership Loan Agreement (a **"Partnership Enforcement Notice"**) on the Partnership (with a copy to the other Obligors and the Issuer), and upon such service:

- (a) all amounts outstanding under the Partnership Loan shall either become immediately due and payable or shall become payable on demand; and

- (b) the security granted by the Obligors pursuant to the terms of the Partnership Security Documents shall become enforceable.

The occurrence of a Partnership Loan Event of Default (or of any other event where the Partnership Level Security is threatened or in jeopardy or the interests of the Bondholders may be prejudiced) will (to the extent permitted by applicable law), upon notice being given by the Partnership Security Trustee, result in the floating charges granted by the Obligors in the Partnership Security Documents crystallising so as to become fixed charges.

### ***Partnership Adverse Effect***

For the purposes of the Partnership Loan Agreement, "**Partnership Adverse Effect**" means:

- (a) a material and adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Partnership Transaction Documents; or
- (b) a material and adverse effect on the legality, binding nature, validity or enforceability of the security interests under the Partnership Security Documents; or
- (c) a material and adverse effect on the aggregate Vacant Possession Value of the Mortgaged Properties at any time, taking into account the outstanding amount of the Partnership Loan; or
- (d) a material and adverse effect on the legality, binding nature, validity or enforceability of the Partnership's entitlement to Rental Income (taken as a whole),

provided that, in determining whether or not a Partnership Adverse Effect has occurred, there shall be disregarded:

- (i) in respect of sub-paragraphs (b) and (d) above, the consequences of any matters of law (but not matters of fact) to the extent qualifications have been made as to such matters of law in legal opinions delivered under the Partnership Loan Agreement on the Closing Date and certain other legal reservations;
- (ii) in respect of all the foregoing sub-paragraphs, any consequences of an actual or a perceived diminution in the financial ability of the Occupational Tenants or the Occupational Tenant Guarantor to pay the Rental Income in full and on time (other than an actual failure to pay the Rental Income in full on the Rent Payment Dates); and
- (iii) in respect of sub-paragraphs (a) and (c) above, any diminution in the aggregate Vacant Possession Value of the Mortgaged Properties which is attributable to Market Conditions.

### ***Governing law***

The Partnership Loan Agreement will be governed by English law.

### ***The Account Bank Agreement***

The Issuer, the Cash Manager, the Nominees, the Partnership, the General Partner, the Issuer Security Trustee and the Partnership Security Trustee will enter into an agreement (the "**Account Bank Agreement**") with the Account Bank, on or about the Closing Date, pursuant to which the Issuer will open and maintain the Issuer Transaction Account with the Account Bank, the Nominees will open the Partnership Rent Account with the Account Bank, the Partnership will open and maintain the Partnership Accounts with the Account Bank and the General Partner will open

and maintain a reserve account with the Account Bank (the "**General Partner Corporation Tax Reserve Account**") to fund the General Partner's ongoing corporation tax liabilities. Pursuant to the Account Bank Agreement, the Account Bank will waive all rights of set-off in relation to the Partnership Rent Account, the Partnership Accounts, the General Partner Corporation Tax Reserve Account and the Issuer Transaction Account (together, the "**Accounts**").

Each of the Issuer and the Partnership (on behalf of itself, the General Partner and the Nominees) will pay to the Account Bank an agreed fee (inclusive of any applicable VAT). Payment of the fees due to the Account Bank by the Partnership will rank senior to payments due to the Issuer in respect of the Partnership Loan and payment of the fees due to the Account Bank by the Issuer will rank senior to payments due to the Bondholders.

The Account Bank will give certain representations, including that it is an Eligible Bank (as defined below).

The Issuer may not withdraw any monies from the Issuer Transaction Account otherwise than in accordance with the provisions of, as applicable, the Issuer Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Nominees may not withdraw any monies from the Partnership Rent Account otherwise than in accordance with the provisions of, as applicable, the Nominees Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Partnership may not withdraw any monies from the Partnership Accounts (other than the Partnership Distribution Account) otherwise than in accordance with the provisions of, as applicable, the Partnership Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Partnership Rent Account is subject to a first priority security interest created in favour of the Partnership Security Trustee pursuant to the Nominees Deed of Charge (as described in "*The Nominees Deed of Charge*").

The General Partner may not withdraw any monies from the General Partner Corporation Tax Reserve Account otherwise than in accordance with the provisions of, as applicable, the Partnership Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

Each of the Partnership Accounts (other than the Partnership Distribution Account) and the General Partner Corporation Tax Reserve Account will be subject to a first priority security interest created in favour of the Partnership Security Trustee pursuant to the Partnership Deed of Charge (as described in "*The Partnership Deed of Charge*"). The Issuer Transaction Account is subject to a first priority security interest created in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge (as described in "*The Issuer Deed of Charge*").

If the Account Bank ceases to be an "**Eligible Bank**" (being an English bank or an English branch of a bank, the short-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least P-1 by Moody's, F1 by Fitch and A1 by S&P (or as is otherwise acceptable to the Rating Agencies)), then the Issuer, the Nominees, the Partnership and the General Partner will be required to arrange for the transfer (within 30 days) of the Accounts to an Eligible Bank on terms acceptable to the Issuer Security Trustee and the Partnership Security Trustee.

The appointment of the Account Bank may also be terminated by the Issuer (with the consent of the Issuer Security Trustee) or by the Nominees, the Partnership or the General Partner (in each case, with the consent of the Partnership Security Trustee) and by the Issuer Security Trustee and the Partnership Security Trustee (acting jointly) following certain events including a failure by the

Account Bank to perform its duties under the Account Bank Agreement and an insolvency-related event in relation to the Account Bank (as the case may be).

The Issuer, the Nominees, the Partnership and the General Partner (acting jointly) and with the approval of the Partnership Security Trustee and the Issuer Security Trustee shall appoint a replacement Account Bank in the event that the appointment of the Account Bank is terminated. The termination of the appointment of the Account Bank shall not be effective until a replacement has been appointed.

The Issuer, the Nominees, the Partnership and the General Partner will agree with the Account Bank that if, by the day falling 10 days before the expiry of any notice, the Issuer, the Nominees, the Partnership and the General Partner have not appointed a successor Account Bank then the Account Bank shall be entitled, on behalf of the Issuer, the Nominees, the Partnership and the General Partner to appoint in its place as a successor Account Bank a reputable financial institution of good standing which the Issuer, the Nominees, the Partnership and the General Partner have approved.

The Account Bank Agreement will be governed by English law.

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

The Issuer, the Partnership, the General Partner, the Nominees, the Issuer Security Trustee and the Partnership Security Trustee will enter into an agreement (the "**Cash Management Agreement**") with the Cash Manager, on or about the Closing Date, pursuant to which the Cash Manager will be appointed, as agent of the Issuer, the Partnership, the General Partner, the Nominees and, in certain circumstances, the Issuer Security Trustee and/or the Partnership Security Trustee, to (i) act as cash manager in respect of amounts standing to the credit of the Issuer Transaction Account from time to time; (ii) act as cash manager in respect of amounts standing to the credit of the Partnership Accounts from time to time; (iii) act as cash manager in respect of amounts standing to the credit of the Partnership Rent Account from time to time; (iv) act as cash manager in respect of amounts standing to the credit of the General Partner Corporation Tax Reserve Account; and (v) invest monies standing to the credit from time to time of the Issuer Transaction Account, the Partnership Accounts (other than the Partnership Distribution Account), the Partnership Rent Account and the General Partner Corporation Tax Reserve Account in Eligible Investments (on a non-discretionary basis) in accordance with the directions of the relevant account holder.

Each of the Issuer and the Partnership (on behalf of itself, the Nominees and the General Partner) will pay the Cash Manager an agreed fee (inclusive of any applicable VAT). Payment of the fees due to the Cash Manager by the Partnership will rank senior to payments due to the Issuer in respect of the Partnership Loan and payment of the fees due to the Cash Manager by the Issuer will rank senior to payments due to the Bondholders.

The Cash Management Agreement will contain provisions, *inter alia*, for the transfer of amounts between, and withdrawal of funds from, the General Partner Corporation Tax Reserve Account, the Partnership Accounts, the Partnership Rent Account and the Issuer Transaction Account.

Details concerning the Partnership Pre-Enforcement Priority of Payments, the Partnership Post-Enforcement Priority of Payments, the Issuer Pre-Enforcement Priority of Payments and the Issuer Post-Enforcement Priority of Payments are described further in the section entitled "*Resources Available to the Partnership and the Issuer*".

The appointment of the Cash Manager may be terminated by the Issuer (with the consent of the Issuer Security Trustee) or by the Nominees, the Partnership or the General Partner (in each case,

with the consent of the Partnership Security Trustee) or by the Issuer Security Trustee and the Partnership Security Trustee (acting jointly) following certain events including a failure by the Cash Manager to perform its duties under the Cash Management Agreement and an insolvency-related event in relation to the Cash Manager (as the case may be).

The Issuer, the Nominees, the Partnership and the General Partner (acting jointly) and with the approval of the Partnership Security Trustee and the Issuer Security Trustee shall appoint a replacement Cash Manager in the event that the appointment of the Cash Manager is terminated. The termination of the appointment of the Cash Manager shall not be effective until a replacement has been appointed.

The Issuer, the Nominees, the Partnership and the General Partner will agree with the Cash Manager that if, by the day falling 10 days before the expiry of any termination notice, the Issuer, the Nominees, the Partnership and the General Partner have not appointed a successor Cash Manager then the Cash Manager shall be entitled, on behalf of the Issuer, the Nominees, the Partnership and the General Partner to appoint in its place as a successor Cash Manager a reputable financial institution of good standing which the Issuer, the Nominees, the Partnership and the General Partner have approved.

The Cash Management Agreement will be governed by English law.

### ***The Partnership Security Documents***

The Partnership Secured Obligations will be secured, *inter alia*, by the assets and undertaking of the Obligors.

#### **A. *The Partnership Deed of Charge***

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Partnership Deed of Charge**"), each of the Partnership and the General Partner (on behalf of the Partnership) will create, *inter alia*, the following security (the "**Partnership Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its partnership property, assets and undertaking (the "**Partnership Charged Property**"):

- (a) fixed charges, mortgages, pledges or, as the case may be, assignments by way of security or assignments in security of or over:
  - (i) its interest in the Mortgaged Properties (including its interest in the relevant Occupational Leases and the trusts declared and created by the Nominees in respect of such Mortgaged Properties under the relevant Declaration of Trust);
  - (ii) its interest in all Rental Income;
  - (iii) any insurances, licences, consents and authorisations (statutory or otherwise) held by the Partnership or the General Partner (on behalf of the Partnership) in connection with the Mortgaged Properties or the use of such Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect thereof;
  - (iv) its interest in the Partnership Accounts (other than the Partnership Distribution Account);
  - (v) its interest in any Eligible Investments made from time to time by or on behalf of the Partnership;



- (vi) the benefit of any rights it has in any of the Partnership Transaction Documents, provided that the Partnership Swap Agreement shall be subject to any rights of set-off agreed between the parties thereto; and
  - (vii) its shares in Nominees Holdco and Depot Propco and any related rights held by it; and
- (b) a floating charge over all its present and future assets and undertaking, including the Partnership Distribution Account, deferred in point of priority to any fixed security validly and effectively created by it and as described in paragraph (a) above.

Also under or pursuant to the Partnership Deed of Charge, in addition to the security created by the General Partner in respect of any property, assets and undertaking held by it for and on behalf of the Partnership (as described above), the General Partner, in its own right will create:

- (a) a fixed charge or, as the case may be, assignment by way of security over:
  - (i) its interest in the General Partner Corporation Tax Reserve Account; and
  - (ii) the benefit of any rights it has in any of the Partnership Transaction Documents; and
- (b) a floating charge over all its own present and future property, assets and undertaking, deferred in point of security to any fixed security validly and effectively created by it and as described in paragraph (a) above,

(the "**GP Charged Property**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors (such security being the "**GP Security**").

The Partnership Deed of Charge will be governed by English law, provided that any terms of the Partnership Deed of Charge particular to Scots law shall be construed in accordance with Scots law.

#### **B. The Nominees Deed of Charge**

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Nominees Deed of Charge**"), each of the Nominees will create, *inter alia*, the following security (the "**Nominees Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its property, assets and undertaking (the "**Nominees Charged Property**"):

- (a) fixed charges, mortgages, standard securities or, as the case may be, assignments by way of security or assignments in security of or over:
  - (i) its interest in the Mortgaged Properties (including its interest in the Occupational Leases and Licence 1);
  - (ii) its interest in all Rental Income;
  - (iii) any insurances, licences, consents and authorisations (statutory or otherwise) held by the Nominees in connection with the Mortgaged Properties or the use of those Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect of them;

- (iv) its interest in any Eligible Investments made from time to time by or on behalf of the Nominees;
  - (v) its interest in the Partnership Rent Account; and
  - (vi) the benefit of any rights it has in any of the Partnership Transaction Documents to which it is a party; and
- (b) a floating charge over all of its present and future assets and undertaking, deferred in point of security to any fixed security validly and effectively created by it and as described in paragraph (a) above.

The Nominees Deed of Charge will be governed by English law, provided that any terms of the Nominees Deed of Charge particular to Scots law shall be construed in accordance with Scots law.

### **C. The Nominees Holdco Deed of Charge**

Under a deed of charge to be entered into on the Closing Date (the "**Nominees Holdco Deed of Charge**"), Nominees Holdco will create, *inter alia*, the following security (the "**Nominees Holdco Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its property, assets and undertaking (the "**Nominees Holdco Charged Property**"):

- (a) fixed charges, mortgages or, as the case may be, assignments by way of security of or over:
  - (i) its shares in Nominees and any related rights; and
  - (ii) the benefit of any rights it has in any Partnership Transaction Documents to which it is a party; and
- (b) a floating charge over all of its present and future assets and undertaking, deferred in point of priority to any fixed security validly and effectively created by it and as described in paragraph (a) above.

The Nominees Holdco Deed of Charge will be governed by English law.

### **D. The Depot Propco Deed of Charge**

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Depot Propco Deed of Charge**" and, together with the Partnership Deed of Charge, the Nominees Deed of Charge and the Nominees Holdco Deed of Charge and the powers of attorney executed and delivered by the Obligors thereunder and any other document or instrument granted by an Obligor in favour of the Partnership Security Trustee on behalf of the Partnership Secured Creditors, the "**Partnership Security Documents**"), Depot Propco will create the following security (the "**Depot Propco Security**" and, together with the Partnership Security, the GP Security, the Nominees Security and the Nominees Holdco Security, the "**Partnership Level Security**") in favour of the Partnership Security Trustee (on behalf of the Partnership Secured Creditors) over all of its property, assets and undertaking (the "**Depot Propco Charged Property**" and, together with the Partnership Charged Property, the GP Charged Property, the Nominees Charged Property and the Nominees Holdco Charged Property, the "**Partnership Level Charged Property**"):

- (a) fixed charges, mortgages, standard securities or, as the case may be, assignments by way of security or assignments in security of or over:

- (i) its interest in the Livingston Distribution Centre (including its interest in the DC Depot Propco Lease and Licence 2);
  - (ii) any insurances, licences, consents and authorisations (statutory or otherwise) held by Depot Propco in connection with the Livingston Distribution Centre or the use of the Depot Propco Charged Property and the right to recover and receive all compensation which may be payable in respect of them; and
  - (iii) the benefit of any rights it has in any of the Partnership Transaction Documents to which it is a party; and
- (b) a floating charge over all of its present and future assets and undertaking, deferred in point of priority to any security validly and effectively created by it and as described in paragraph (a) above.

The Depot Propco Deed of Charge will be governed by English law, provided that any terms of the Depot Propco Deed of Charge particular to Scots law shall be construed in accordance with Scots law.

### ***Service of Partnership Enforcement Notice***

Upon the service of a Partnership Enforcement Notice pursuant to the terms of the Partnership Transaction Documents, the Partnership Security Trustee shall, if so directed by the Issuer Security Trustee and indemnified and/or secured and/or pre-funded to its satisfaction, enforce its rights in respect of the Partnership Level Security.

The proceeds of enforcement of the Partnership Level Security will be applied in accordance with the order of application of payments specified in the Partnership Post-Enforcement Priority of Payments.

### ***The Issuer Deed of Charge***

The Issuer and, *inter alios*, the Issuer Security Trustee will enter into a deed of charge (the "**Issuer Deed of Charge**") on the Closing Date as security for the obligations of the Issuer to the Issuer Secured Creditors under the Issuer Transaction Documents to which it is a party (the "**Issuer Secured Obligations**").

Under or pursuant to the Issuer Deed of Charge, the Issuer will grant, *inter alia*, the following security in favour of the Issuer Security Trustee on trust for the Issuer Secured Creditors over all of its property, assets and undertaking (the "**Issuer Charged Property**"):

- (a) first priority fixed charges or, as the case may be, assignments by way of security or assignments in security over:
  - (i) the Issuer's rights as a secured party under the Partnership Security Documents and any security granted pursuant thereto (including the Issuer's beneficial interest in the security trusts in respect of the Partnership Security Documents);
  - (ii) the Issuer's rights under the Partnership Loan;
  - (iii) the Issuer's rights under the Issuer Swap Agreement and the Partnership Swap Agreement, provided that the Issuer Swap Agreement and the Partnership Swap Agreement shall be subject to any rights of set-off agreed between the parties thereto;

- (iv) the Issuer's rights in respect of the Issuer Transaction Account;
  - (v) any Eligible Investments made from time to time by or on behalf of the Issuer; and
  - (vi) the benefit of any rights it has in any of the Issuer Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge); and
- (b) a floating charge over all of its present and future assets and undertaking, not subject to fixed security validly and effectively created by it and as described in paragraph (a) above (but excepting from the above exclusion all of its assets and undertaking, present and future, situated in Scotland or the rights to which are governed by Scots law, all of which assets and undertaking are charged by the floating charge thereby created) (such security together, the "**Issuer Security**").

The proceeds of enforcement of the Issuer Security will be applied in accordance with the order of application of payments specified in the Issuer Post-Enforcement Priority of Payments.

The Issuer Deed of Charge will be governed by English law, provided that any terms of the Issuer Deed of Charge particular to Scots law shall be construed in accordance with Scots law.

### ***The Property Pool Management Agreement***

On the Closing Date, each of the Nominees, the Partnership, the Partnership Operator, the Partnership Security Trustee and Spen Hill Management Limited (the "**Property Pool Manager**") will enter into the Property Pool Management Agreement pursuant to which the Property Pool Manager will be appointed in relation to the Mortgaged Properties on the Closing Date.

Pursuant to the terms of the Property Pool Management Agreement, the Property Pool Manager will be responsible for, *inter alia*:

- (a) the collection of Rental Income in respect of the Mortgaged Properties on behalf of the Partnership which will be paid directly into the Partnership Rent Account;
- (b) monitoring the Occupational Tenants' compliance with the covenants in the Occupational Leases;
- (c) monitoring the Occupational Tenants' procurement and maintenance of insurance (to the extent required) in accordance with the Occupational Leases;
- (d) assisting in relation to alterations, substitutions and disposals of, and Adjoining Land Developments in respect of, the Mortgaged Properties in compliance with the Occupational Leases, the Substitution Agreement and the Partnership Loan Agreement; and
- (e) taking steps with a view to procuring that the reporting obligations of the Partnership are complied with in accordance with the Partnership Loan Agreement.

The appointment of the Property Pool Manager may be terminated by the Partnership Operator (with the prior written consent of the Partnership Security Trustee) or by the Partnership Security Trustee in certain circumstances, including following a material breach of certain obligations or certain insolvency-related events concerning the Property Pool Manager or a Partnership Enforcement Notice being served. However, the termination of the appointment of the Property Pool Manager will not be effective until a replacement has been appointed by the Partnership Operator in accordance with the Property Pool Management Agreement.

The Property Pool Management Agreement will be governed by English law.

### **The Swap Agreements**

#### **A. The Partnership Swap Agreement**

On or before the Closing Date, the Partnership will enter into index-linked swap transactions with the Issuer governed by an ISDA Master Agreement (Multicurrency-Cross Border), schedule thereto and confirmations thereunder (the "**Partnership Swap Agreement**") in order to mitigate any mismatch arising as a result of the Partnership receiving RPI linked payments from the Occupational Tenants and paying fixed interest and (where applicable) scheduled repayments of principal on the Partnership Loan.

The Partnership Swap Agreement will be governed by English law.

For a further description of the Partnership Swap Agreement, see the sections of this document entitled "*Transaction Overview – Source of funds for payments of the Bonds*", "*Risk Factors – Hedging risks*" and "*Resources Available to the Partnership and the Issuer*".

#### **B. The Issuer Swap Agreement**

On or before the Closing Date, the Issuer will enter into index-linked swap transactions with the Issuer Swap Provider governed by an ISDA Master Agreement (Multicurrency-Cross Border), schedule thereto and confirmations thereunder (the "**Issuer Swap Agreement**") in order to mitigate any mismatch arising as a result of the Issuer receiving RPI linked payments from the Partnership under the Partnership Swap Agreement and paying fixed interest and (where applicable) scheduled principal on the Bonds.

The Issuer Swap Agreement will be governed by English law.

For a further description of the Issuer Swap Provider, see the section of this document entitled "*The Parties*" and the section of this document entitled "*The Issuer Swap Provider*". For a further description of the Issuer Swap Agreement, see the sections of this document entitled "*Transaction Overview – Source of funds for payments of the Bonds*", "*Risk Factors – Hedging risks*" and "*Resources Available to the Partnership and the Issuer*".

### **The Headleases**

The principal terms of each Headlease under which the relevant property within the Property Portfolio will be held by or on behalf of the Partnership as at the Closing Date are as follows:

#### **Term**

In respect of the leases of the properties within the Property Portfolio in England and Wales, 999 years save for the property at Burnley which is for an unexpired term of 996 years and, in respect of the leases of the properties in Scotland, which are 175 years from the date of those Headleases.

#### **Rent**

£2 per year (if demanded). The rent is subject to increase arising from an Alteration funded by the relevant Occupational Tenant under the provisions of the Substitution Agreement in an amount equal to the corresponding increase in the rent payable under the Occupational Lease in respect of that Alteration.

### ***Tenant's covenants***

By way of indemnity only to pay all outgoings which may at any time be payable in respect of the Mortgaged Property and to comply with all statutes relating to the Mortgaged Property and encumbrances affecting the Mortgaged Property, subject to the proviso that the tenant is not liable for any of these covenants so long as the Mortgaged Property is subject to the Occupational Lease or any renewal of the Occupational Lease other than the landlord's obligations under the Occupational Lease or any renewal of the Occupational Lease.

### ***Landlord's covenants***

The landlord gives a covenant for quiet enjoyment and where relevant to pay the rent reserved by and comply with the terms of any superior lease in so far as they are not to be observed and performed by the Occupational Tenant under the Occupational Lease.

### ***Dealings***

There are no restrictions on the tenant assigning, transferring, underletting or charging the Mortgaged Property.

### ***Forfeiture***

There is no right for the landlord to forfeit any Headlease.

### ***Option to acquire the reversion***

The tenant has the option to buy the landlord's reversionary interest for the reversion value of either (a) £1 or (b) where the landlord or a group company of the landlord (excluding the Occupational Tenant) has paid for or contributed in whole or in part towards any improvements to the property, the market value of those improvements (or the relevant proportion of the market value apportioned on the basis of any contribution) assuming (if not the fact) that the reversionary interest is subject to a lease on the terms of the Headlease but disregarding any marriage value. The option is exercisable at any time after the 50th year of the term. In the case of the retail stores known as Greenock Extra and Oban and the Livingston Distribution Centre located in Scotland, the option will be secured by first ranking standard securities in favour of the tenant.

### ***Minor disposals***

The tenant will enter into any necessary documentation in respect of any Minor Disposal by the Occupational Tenant as referred to below.

### ***The Occupational Leases***

The principal terms of each Occupational Lease subject to which the relevant Headlease is beneficially held by the Partnership and in respect of which the legal title is held by the Nominees (the Nominees, in their capacity as landlord under the Occupational Leases, being the "**Landlord**"), as at the Closing Date, are set out below:

### ***Occupational Tenant Guarantee***

Tesco (and any Highest Rated Entity if (a) such entity exists and (b) the long term unsecured unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's, A- by S&P and A- by Fitch) guarantees (the "**Occupational Tenant Guarantee**") the obligations of the Occupational Tenant under each Occupational Lease (and, in such capacity, is the

"Occupational Tenant Guarantor"). The terms of the Occupational Tenant Guarantee include the following:

- (a) a covenant that the Occupational Tenant will perform and observe all of the obligations on the part of the Occupational Tenant in the Occupational Lease (including payment of rent and all other sums payable under the Occupational Lease);
- (b) provision for the Landlord to proceed against the Occupational Tenant Guarantor as if it were the sole obligor in respect of the obligations in question; and
- (c) provision enabling the Landlord to require the Occupational Tenant Guarantor to take a new lease of the property in the event of disclaimer or forfeiture of the Occupational Lease.

### **Term**

The Occupational Leases for each property within the Property Portfolio will be for a term expiring on the Occupational Lease Maturity Date.

The Occupational Lease for the Livingston Distribution Centre will be comprised of two leases, one, the DC Occupational Leaseback, for a term expiring on 17 November 2032 and the second, the DC Parallel Lease, for a term expiring on 24 December 2039. There will be a one day gap between expiry of the DC Occupational Leaseback and the date (being 19 November 2032) with effect from which rental under the DC Parallel Lease increases from £1 per annum to an amount corresponding to that last payable under the DC Occupational Leaseback. However, there will be no loss of income as TSL has, under Licence 1, agreed to pay on that day (being 18 November 2032) a licence fee which is equivalent to the rent which would have been payable for that day under the DC Occupational Leaseback had its term expired on 18 November 2032.

### **Leased property**

Each property includes all land and buildings within the site boundary, all landlord's fixed plant and machinery and all conduits (other than those of utility companies) within the site boundary or (where the Landlord has any responsibility for them) serving the property. Tenant's fixtures (i.e. items that would ordinarily form part of a retail tenant's fit-out work) and fittings are excluded from the lease.

### **Rent**

The principal rent payable until 29 September 2010 is as set out in the schedule of property values contained in the Valuation Report under the heading "*Rental Income*". The principal rent increases on 29 September 2010 and each anniversary of that date by RPI (all items), subject to a minimum 2.5% increase and a maximum 5% increase for the first three years of the Occupational Leases for the properties within the Property Portfolio (except the Magor Distribution Centre and the Livingston Distribution Centre) and for the first year of the Occupational Leases for the Livingston Distribution Centre and the Magor Distribution Centre and thereafter subject to a minimum 0% increase and a maximum of 5% increase. The principal rent is payable without deductions or set-off in advance on the date when the Occupational Lease was entered into for the period commencing on the date when the Occupational Lease was entered into until 24 December 2009 and thereafter from 25 December 2009 on a quarterly basis on 25 March, 24 June, 29 September and 25 December in every year of the term (the "**Rent Payment Dates**").

### ***Interest on late rent***

Interest is payable at a fixed rate (which is equal to the rate applicable to the Bonds) on any rent which is not paid within 10 days of the due Rent Payment Date.

### ***Rents net of additional charges, costs and expenses***

The Occupational Tenant is responsible for the payment of all existing and future rates, taxes, assessments, duties, outgoings, impositions, governmental or local or other charges attributable or relating to the Mortgaged Property, except tax and value added tax for which the landlord is required to account.

### ***Repairs***

The Occupational Tenant is to keep all parts of the structures and buildings on the property in good and substantial repair and condition. The landlord's fixtures and fittings and equipment are to be replaced when beyond repair with new, reconditioned or replacement items of similar quality and in good working order.

If the property is damaged or destroyed, whether by an insured risk or an uninsured risk and whether or not the Occupational Tenant is self-insuring (as to which, see "*Insurance*"), the Occupational Tenant is to reinstate the property with all reasonable speed subject to obtaining all necessary consents.

### ***Alterations***

Alterations, internal or external, are prohibited unless expressly permitted under (a) or (b) below.

The Occupational Tenant may, without the consent of the Landlord and the Partnership Security Trustee:

- (a) carry out internal or external non-structural alterations or the extension of any building which together with previous extensions carried out during the term, will not generate an increase in gross internal area in excess of 40% of the gross internal area at the date of the Occupational Lease (excluding the creation of mezzanine floor areas); or the creation of mezzanine floor areas; or installation of automatic teller machines; or installation of signage; or other alterations, including structural alterations, which do not adversely affect the structural integrity of the building; or
- (b) carry out alterations not permitted under (a) above (save for the extension of any building in excess of the 40% limit detailed above) if the Occupational Tenant provides a written certificate from the Property Advisor addressed to the landlord not more than 6 months after practical completion of the alterations, which identifies the extent and nature of the alterations and certifies that the effect of carrying out the alterations would not be to (i) reduce the market rental value of a lease of the property assuming a lease for a term equal to the then unexpired term of the Occupational Lease and otherwise on the then current market terms generally acceptable to long term institutional investors or (ii) to reduce the market value of the landlord's interest in the property assuming vacant possession.

If the alterations involve the extension of any building which together with previous extensions carried out during the term generate an increase in gross internal area in excess of 40% of the gross internal area as at the date of the Occupational Lease, then the Landlord's consent (but not the Partnership Security Trustee's consent) will be required, such consent not to be unreasonably



withheld or delayed, and as part of any application for such consent a written certificate from the Property Advisor must be given as detailed in (b) above but prior to any such alterations being carried out.

If the proposed alterations are estimated to cost in excess of 24 months rent or take longer than 18 months to complete, the Occupational Tenant may be required to provide certain security for the completion of the alterations (as more particularly described in the Occupational Lease).

### ***Reinstatement***

All alterations or additions are to be reinstated at the end of the term save for those detailed in paragraphs (a) and (b) above or any permitted extension of the building in excess of 40% of the gross internal area as detailed above, unless the Landlord believes (acting reasonably) that the alterations reduce the market value of the Mortgaged Property. All of the Occupational Tenant's fixtures and fittings shall be removed at the end of the term (save where the Occupational Tenant has exercised its right to renew the Occupational Lease) and the Occupational Tenant must make good all damage caused by such removal, to the reasonable satisfaction of the Landlord.

### ***Permitted use***

- (a) The permitted use for each store is as a retail shop or shops with ancillary uses of a petrol filling station (with a kiosk and car wash), customer restaurant, in-store bakery, the provision of financial services (including cash dispensing machines), lottery and similar ticket sales, pharmacy, office and storage space, customer and staff parking (and, in the case of part of the property at Oban, offices) and such other uses as are common in shops of the Occupational Tenant in the United Kingdom from time to time and not for any other use save with the Landlord's consent, which shall not be unreasonably withheld or delayed.
- (b) The permitted use under the Occupational Lease for the Livingston Distribution Centre is as a distribution warehouse under Class 6 of the Town & Country Planning (Use Classes) (Scotland) Order 1997 together with ancillary offices and ancillary facilities and not for any other use save with the Landlord's consent, which shall not be unreasonably withheld or delayed.
- (c) The permitted use under the Occupational Lease for the Magor Distribution Centre is as a distribution warehouse under Class B8 of the Town & Country Planning (Use Classes) Order 1987 (as amended) together with ancillary offices, car parking and ancillary facilities and not for any other use save with the Landlord's consent, which shall not be unreasonably withheld or delayed.
- (d) The Occupational Tenant is not permitted to use the property for residential purposes within the definition of taxable property under the Finance Act 2004 without the Landlord's consent.

### ***Assignment***

Assignment of the whole or any part of a property by the Occupational Tenant is prohibited.

### ***Underletting***

The Occupational Tenant may underlet part of the property:

- (a) without Landlord's consent if the underlease complies with certain usual requirements as to form and substance and the requirements of paragraphs (i) and (ii) below are satisfied; or
- (b) the Occupational Tenant obtains the prior written consent of the Landlord.

The Occupational Tenant may underlet the whole of the property if any one of the following applies:

- (a) without Landlord's consent if the underlease complies with certain usual requirements as to form and substance and the requirements of paragraph (ii) below are satisfied; or
- (b) the Occupational Tenant obtains the prior written consent of the Landlord.

The requirements of paragraphs (i) and (ii) referred to above are:

- (i) the Occupational Tenant may underlet a permitted part if by doing so the premises would not comprise more than 5 units of occupation or (in respect of the property at Cannock and/or the Distribution Centres) 10 units of occupation; and
- (ii) the Occupational Tenant may underlet the whole of the property or permitted part if the aggregate gross internal area of those properties or parts of properties then comprising the Mortgaged Properties which are sublet or proposed to be sublet (including subsisting sub lettings) to tenants whose long-term senior unsecured or counterparty credit rating with the rating agencies is lower than BBB- (from S&P or Fitch) or Baa3 (from Moody's) does not exceed 25% of the then gross internal area of the Mortgaged Properties.

The Occupational Tenant may grant licences, concessions or franchises (complimentary to the then current use of the property) of part of the property provided that no relationship of landlord and tenant is created and the Occupational Tenant gives to the landlord written notice, including details of their material terms, within 28 days of any written request.

The Occupational Tenant may share the whole or any part of the property with a company which is and remains a group company for so long as such occupation does not create the relationship of landlord and tenant.

### ***No security of tenure***

Each Occupational Lease of a property in England or Wales has been excluded from the security of tenure protection of the Landlord and Tenant Act 1954.

### ***Insurance***

The Occupational Tenant can elect to self insure if and for so long as Tesco has a long-term senior unsecured credit rating from one or more of the applicable rating agencies none of whose ratings is lower than BBB- (for S&P and Fitch) and Baa1 (for Moody's) in each case without negative outlook. Otherwise, the Occupational Tenant will insure (and the Landlord may do so at the cost of the Occupational Tenant if the Occupational Tenant does not), with any insurance company or entity or pool authorised to carry on insurance business by the Financial Services Authority or by an equivalent regulatory body with regulatory powers over the insurance industry in the European Union:

- (a) the property, in its full reinstatement cost against fire, storm, tempest, flood, earthquake, lightning, civil commotion, riot, explosion, malicious damage, aircraft (but not hostile aircraft) and other aerial devices parts thereof and articles dropped from them (not being

war damage), burst pipes, overflowing of pipes or other apparatus, impact and terrorism to the extent that insurance cover is ordinarily available at commercially reasonable rates and on such terms as are commonly available for property of a similar type, size and value and such other risks as the Landlord may reasonably request, and subject to such exceptions, conditions and limitations as shall at the relevant time be commonly imposed by insurers in agreeing to provide such insurance;

- (b) explosion of any engineering and/or electrical plant and/or machinery;
- (c) property owner's third party liability;
- (d) loss of the principal rent; and
- (e) such other insurances as a reasonably prudent company in the business of the occupation and letting of the Mortgaged Property would effect.

Where the Occupational Tenant is obliged to insure, the Occupational Tenant covenants to use reasonable endeavours to procure that the Landlord and the Partnership Security Trustee are co-insured with the Occupational Tenant on each policy and, if this is not possible, to procure that the Landlord and the Partnership Security Trustee are noted on the policy.

### ***Right of renewal***

The Occupational Tenant has the benefit of a right to renew each Occupational Lease at the expiry of the contractual term on the Occupational Lease Maturity Date, with a further right to take two further renewal leases, each for a term of 10 years (30 further years in total). The rent for the first renewal lease will be rebased to the then market rent (subject to annual RPI increases). The rent for the second and third renewal terms is the rent reserved at the expiry of the previous lease) but subject in each case to annual RPI increases. The leases (save for the final renewal lease) in respect of the Occupational Leases of the properties in England and Wales will be contracted out of the security of tenure provisions of the Landlord and Tenant Act 1954 provided that the landlord follows the required procedure.

### ***Superior lease***

The Occupational Tenant covenants to perform and observe the Landlord's obligations in any superior lease (including the relevant Headlease) save those relating to the payment of principal rent and other sums due under such superior lease (albeit such sums are recoverable from the Occupational Tenant as additional rent pursuant to the Occupational Lease).

### ***Minor Disposals***

The Occupational Tenant is permitted to make disposals (when the consideration or the value of the land exchanged does not exceed £50,000 (excluding VAT)) of part of the Mortgaged Property as long as the transfer or sale is on arm's length terms, it would not breach a planning condition or any Planning Act, the rent payable under the Occupational Lease is not reduced, the land does not form part of the building on the property or a key access route and the disposal would not impair the operation, use or enjoyment of the property (including parking arrangements) in any way which is reasonably likely to result in a material adverse impact on trading of the business and would not cause a reduction in the market value of the property and neither the Landlord nor the Partnership is required to assume any material contractual obligations or title conditions and includes a permitted land swap where the consideration for the disposal is the simultaneous transfer of land continuous to the property.

In the case of the Livingston Distribution Centre, the sale or transfer of all or part of the grass verges, totalling 1.68 hectares, to the local authority, West Lothian Council, pursuant to an undertaking made by the Developer, shall constitute a permitted disposal if the consideration does not exceed £235,000 (increased in line with RPI) (excluding VAT) provided that the remainder of the conditions detailed above have been complied with.

### ***Forfeiture***

The Landlord may forfeit (or in Scotland, irritate) the Occupational Lease (subject to the relevant English statutory framework allowing the Occupational Tenant or its mortgagee to claim relief from forfeiture in certain circumstances in respect of the Mortgaged Properties in England and Wales) on the occurrence of any of the following:

- (a) non-payment of the rent or other sums payable under the lease for ten days after it becomes payable, whether in the case of the principal rent formally demanded or not;
- (b) breach of covenant which is incapable of remedy or has not been remedied within 30 business days after written notice has been served; and
- (c) on the Occupational Tenant's or the Occupational Tenant Guarantor's insolvency which is restricted to winding-up, the Occupational Tenant or the Occupational Tenant Guarantor making an application to the Court under section 899 of the Companies Act 2006, the Occupational Tenant submitting to any of its creditors a proposal under Part I of the Insolvency Act 1986, or the Occupational Tenant entering into any arrangement, scheme, compromise or composition with its creditors, or the Occupational Tenant becoming subject to any process which has the effect of imposing a moratorium on indebtedness of the Occupational Tenant or the Occupational Tenant Guarantor or encumbrancer takes possession of or an administrator or administrative receiver is appointed to the whole or any material part of the undertaking or assets of that person or if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving that person and its undertaking is entered into.

### ***Withholding Tax***

If any withholding or deduction for or on account of tax is required by law to be made from any sum payable by an Occupational Tenant under an Occupational Lease, or (where the Landlord is the Partnership or the Nominees) if an obligation to account for United Kingdom income tax in respect of rent payments under an Occupational Lease is imposed on the Nominees or the General Partner, the amount of the payment due from that Occupational Tenant will be increased to the extent necessary to ensure that, after such withholding or deduction has been made, the landlord receives a cash amount equal to that which it would have received had that withholding or deduction not been required to be made.

Where the landlord is the Partnership or the Nominees, if any deduction or withholding for or on account of tax is required by law to be made from any sum payable to the Issuer under the Partnership Loan Agreement or the Partnership Swap Agreement, the amount of the payment due to the Issuer is required to be increased as a consequence, the Occupational Tenant must pay such additional amount as is necessary to enable the Partnership to make that increased payment.

The payment by an Occupational Tenant of such increased amounts and additional amounts is guaranteed under the Occupational Tenant Guarantee.

### ***Value added tax***

The Occupational Tenant is required to pay an amount equal to all value added tax chargeable in respect of any taxable supply made to it by the landlord under the Occupational Lease upon production of a valid VAT invoice.

### ***Indemnity***

The Occupational Tenant covenants to indemnify the Landlord and the superior landlord and any mortgagee of the Headlease of which the Occupational Tenant have received notice in respect of a wide range of matters if they occur during the term of the Occupational Lease, including any accidental injury (including death resulting therefrom) or damage to any person or property occurring in the property, any failure by the Occupational Tenant to pay the rents or observe and perform its obligations under the lease, or any agreement or underlease and any breach of covenant, restriction, obligation or other provision to be observed and performed by the Occupational Tenant in relation to the property. The indemnity is expressed to extend to any such matters which become apparent during the term or within six months after the expiry or sooner determination of the term.

### ***The Partnership Declarations of Trust***

The Partnership and the Nominees will enter into a declaration of trust on or about the Closing Date (the "**English Partnership Declaration of Trust**") and, in relation to the properties within the Property Portfolio located in Scotland, will enter into declarations of trust on the Closing Date (the "**Scottish Partnership Declarations of Trust**" and, together with the English Partnership Declaration of Trust, the "**Partnership Declarations of Trust**" or the "**Declarations of Trust**"), such that the Partnership shall be the sole beneficiary of a trust or trusts to be declared by the Nominees over the following assets (each such asset being "**Partnership Trust Property**"):

- (a) the Mortgaged Properties (subject to, and with the benefit of, the Occupational Leases);
- (b) the rent and the right to receive all other income arising from any interest of the Nominees in the Mortgaged Properties or otherwise arising from such Mortgaged Properties to which the Nominees may be entitled;
- (c) all proceeds of any disposal of the Mortgaged Properties;
- (d) all rights and interest in, under or pursuant to the Occupational Leases and any documents relating to the Mortgaged Properties (including, without limitation, the management of the Mortgaged Properties) (together, the "**Partnership Underlying Documents**"); and
- (e) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the respective Nominees in their capacity as trustees from time to time.

The interests of the Partnership in the trusts created by the Partnership Declarations of Trust will be subject to the security conferred by, and obligations created pursuant to, the Partnership Loan Agreement, the Partnership Security Documents, the Partnership Beneficiary Undertakings and the Partnership Declarations of Trust (together, the "**Partnership Trust Property Obligations**").

In each Partnership Declaration of Trust, the Partnership will undertake to the Nominees (for so long as any actual or contingent liability is owed by an Obligor to a Partnership Secured Creditor under the Partnership Transaction Documents) not to:

- (a) request or require that the Nominees transfer any of the Partnership Trust Property to the Partnership; or
- (b) dissolve the trust created pursuant to the relevant Partnership Declaration of Trust (the "**Partnership Property Trust**"); or
- (c) transfer its beneficial interest in any Partnership Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the Partnership Trust Property; or
- (e) give any direction to the Nominees, or to otherwise require them to take any action, which would be inconsistent with, or cause a Nominee to breach, the Partnership Trust Property Obligations,

save, in each case, to the extent permitted or contemplated by the Partnership Underlying Documents or with the prior written consent of the Partnership Security Trustee.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Partnership and ending with the order taking effect or the dismissal of the application or (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Partnership and ending ten business days later or with the appointment of an administrator or (c) during which the Partnership is in administration (each a "**Partnership Administration Period**"), the Nominees will not be under any obligation to comply with any direction from the Partnership in respect of the Partnership Trust Property. During such periods, the Nominees will be entitled to sell or lease the Mortgaged Properties to enable them to comply with their obligations under the Partnership Transaction Documents.

The English Partnership Declaration of Trust is governed by English law and the Scottish Partnership Declarations of Trust will be governed by Scots law.

### ***The Partnership Beneficiary Undertakings***

Pursuant to a deed of undertaking in relation to the English Partnership Declaration of Trust (the "**English Partnership Beneficiary Undertaking**") and a deed of undertaking in relation to the Scottish Partnership Declarations of Trust (the "**Scottish Partnership Beneficiary Undertaking**") and, together with the English Partnership Beneficiary Undertaking, the "**Partnership Beneficiary Undertakings**" or the "**Beneficiary Undertakings**"), the Partnership will undertake to the Partnership Security Trustee (for so long as any actual or contingent liability is owed by any Obligor to a Partnership Secured Creditor under any Partnership Transaction Document) not to:

- (a) request or require that the Nominees transfer any Partnership Trust Property to the Partnership; or
- (b) dissolve the trust created pursuant to the relevant Partnership Declaration of Trust; or
- (c) transfer its beneficial interest in any Partnership Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the relevant Partnership Trust Property; or
- (e) give any direction to the Nominees, or to otherwise require them to take any action, which would be inconsistent with, or cause a Nominee to breach, the Partnership Trust Property Obligations; or

- (f) during a Partnership Administration Period, give any directions (or, if given, not require compliance with) to the Nominees in relation to the management or application of the Partnership Trust Property; or
- (g) amend or waive any terms of the relevant Partnership Declaration of Trust without the Partnership Security Trustee's consent,

save, in each case, to the extent permitted or contemplated by the Partnership Underlying Documents or with the prior written consent of the Partnership Security Trustee.

The English Partnership Beneficiary Undertaking will be governed by English law and the Scottish Partnership Beneficiary Undertaking will be governed by Scots law.

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

The obligations of the Share Trustee, Issuer Holdco, the Issuer, the General Partner, the Partnership, the Nominees, Nominees Holdco, the Tesco Limited Partner, the JPUT Trustee, the JPUT Limited Partner, Depot Propco, the JV Investors and Tesco under the Transaction Documents will be supported by a deed of covenant (the "**Tax Deed of Covenant**") to be entered into on or about the Closing Date under which, *inter alia*:

- (a) each of the Issuer, Issuer Holdco, the Nominees, Nominees Holdco, the General Partner, the Tesco Limited Partner, the JPUT Trustee, Depot Propco and Tesco will give certain representations, warranties and covenants in relation to its tax affairs and the tax affairs of its group (where applicable); and
- (b) the JPUT Trustee, the General Partner and Tesco will give certain representations, warranties and covenants in relation to the tax affairs of the JPUT Limited Partner, the Partnership and the Tesco Group (as appropriate),

for the benefit of the Partnership Security Trustee (as trustee for the Partnership Secured Creditors), the Issuer Security Trustee (as trustee for the Issuer Secured Creditors) and the Bond Trustee (as trustee for the Bondholders). In the Tax Deed of Covenant, Tesco also covenants to procure, so far as it is able that the Issuer, the Nominees, Nominees Holdco, the General Partner, the Tesco Limited Partner and Depot Propco comply with their respective obligations under the Tax Deed of Covenant. The effect of the representations, warranties and covenants given by the Issuer, Issuer Holdco, the General Partner, the Nominees, Nominees Holdco, the JPUT Trustee, Depot Propco and Tesco is that the risk of any of them or the Partnership, the JV Investors or the JPUT Limited Partner being subject to an unexpected tax liability which might affect its ability to perform its obligations under any of the Transaction Documents should be minimised.

The Tax Deed of Covenant shall be governed by English law.

### ***The SDLT Deed of Covenant***

The obligations of the Partnership and the Nominees under the Transaction Documents relating to SDLT will be supported by a deed of covenant (the "**SDLT Deed of Covenant**") to be entered into on or about the Closing Date under which, *inter alia*:

- (a) Tesco will covenant in favour of the Bond Trustee, the Partnership Security Trustee and the Issuer Security Trustee to pay the General Partner, the JPUT Limited Partner and the Nominees an amount equal to certain unexpected SDLT liabilities of these entities arising in connection with the transactions described in this Prospectus; and

- (b) the Limited Partners, the General Partner, the Nominees, Nominees Holdco and Tesco will give certain representations and warranties in relation to the filing of SDLT returns and payment of SDLT arising from the land transactions carried out under the Partnership Transaction Documents and the SDLT position of the General Partner, the Partnership, the Nominees, Nominees Holdco and the Tesco Group for the benefit of the Partnership Security Trustee (as trustee for the Partnership Secured Creditors), the Issuer Security Trustee (as trustee for the Issuer Secured Creditors) and the Bond Trustee (as trustee for the Bondholders).

The effect of the representations, warranties and covenants given under the SDLT Deed of Covenant is that the risk of any of the Partnership or the Nominees being subject to an unexpected SDLT liability which might affect its ability to perform its obligations under any of the Partnership Transaction Documents should be minimised and, to the extent that any unexpected SDLT liabilities do arise within six years, these should be funded by Tesco.

The SDLT Deed of Covenant shall be governed by English law.



## **SUBSTITUTION, ALTERATION AND DISPOSAL OF MORTGAGED PROPERTIES**

As at the Closing Date, each of the Partnership and the Nominees will covenant in the Partnership Loan Agreement that they will not dispose of, or make Alterations to, the Mortgaged Properties, and the Mortgaged Properties may not be released from the Partnership Level Security, other than pursuant to the Partnership Transaction Documents and, in particular, the Occupational Leases, the Partnership Loan Agreement, the Substitution Agreement and the Property Option Agreement.

The Partnership will also covenant not to dispose of the shares in Depot Propco other than in accordance with the terms of the Partnership Loan Agreement.

The principal terms of the Substitution Agreement and the Property Option Agreement are described below.

### ***Property Advisor***

The Partnership will pursuant to an agreement (the "**Property Advisor Agreement**") appoint on the Closing Date, and at all times will maintain the appointment of, a property advisor, being a reputable firm of chartered surveyors acting through an individual who shall be a fellow of the Royal Institution of Chartered Surveyors of at least 10 years' experience of retail property in the United Kingdom (a "**Property Advisor**"), to carry out certain functions, including the delivery of reports and certificates regarding the value of the Mortgaged Properties and, in particular, the delivery of reports and valuations regarding Alterations to and substitutions and disposals of, the Mortgaged Properties. Cushman & Wakefield LLP are expected to be appointed on or before the Closing Date as the initial Property Advisor. The appointment of the Property Advisor may, under certain of the Partnership Transaction Documents, be made jointly with one or more other parties or the appointment may be made by another party on the basis that a duty of care is owed to the Partnership Security Trustee.

Insofar as the Partnership Security Trustee is required to consent to or approve any matter relating to the substitution, disposal or Alteration of a Mortgaged Property it will do so, if applicable, upon receipt of one or more certificates from the Property Advisor, TSL, TPHL, the Tesco Nominees or the General Partner (as applicable) and/or their advisers certifying that any applicable criteria or tests have been satisfied, without the Partnership Security Trustee itself making any independent enquiry or investigation into the relevant matter. This certificate may be supported by a valuation by the Property Advisor.

### ***Disposal of Mortgaged Properties***

- A. Subject to paragraph B. below and pursuant to the terms of the Partnership Loan Agreement, the Obligors will covenant that they will not dispose of any Mortgaged Property or part of any Mortgaged Property without the consent of the Partnership Security Trustee, which consent shall be provided if:
- (a) the relevant Mortgaged Property is to be substituted by another property in accordance with and pursuant to the Substitution Agreement (as to which, see the description of the principal terms of the Substitution Agreement) (a "**Substitution Disposal**" which phrase, for the avoidance of doubt, excludes the disposal of a Mortgaged Property pursuant to an election made by Tesco under the Substitution Agreement to sell a Mortgaged Property rather than substitute it);

- (b) the relevant Mortgaged Property is to be disposed of pursuant to and in accordance with the Property Option Agreement (an "**Option Disposal**") (as to which see "The Property Option Agreement");
- (c) the whole, or part of, the relevant Mortgaged Property is to be disposed of in connection with an actual or proposed compulsory purchase order made of such Mortgaged Property (a "**CPO Disposal**" which phrase, for the avoidance of doubt, excludes any Substitution Disposal);
- (d) the proposed disposal would be a transfer or sale of an Obligor's interest in a part of a Mortgaged Property where, the transfer or sale is on arm's length terms would not breach a planning condition or any Planning Act, the rent payable under the relevant Occupational Lease is not reduced, the land does not form part of the building on the relevant Mortgaged Property or a key access route and the disposal would not impair the operation, use or enjoyment of the relevant Mortgaged Property (including parking arrangements) in any way which is reasonably likely to result in a material adverse impact on trading of the business and would not cause a reduction in the market value of the relevant Mortgaged Property and no Obligor is required to assume any material contractual obligations or title conditions and includes a permitted land swap where the consideration for the disposal is the simultaneous transfer of land contiguous to the relevant Mortgaged Property and in each case where the consideration paid or the value of the land exchanged does not exceed £50,000 (excluding VAT) (a "**Minor Disposal**") and, in the case of the Livingston Distribution Centre, the sale or transfer of all or part of the grass verges, totalling 1.68 hectares, to the local authority, West Lothian Council, pursuant to an undertaking made by the Developer, shall constitute a Minor Disposal if the consideration does not exceed £235,000 (increased in line with RPI) (excluding VAT) provided that the remainder of the conditions detailed above have been complied with; and
- (e) the Obligors have voluntarily elected to carry out the proposed disposal, and such disposal is of the whole of a Mortgaged Property and is not a Substitution Disposal, a CPO Disposal or a Minor Disposal and includes for the avoidance of doubt the disposal of a Mortgaged Property pursuant to an election made by Tesco under the Substitution Agreement to sell a Mortgaged Property rather than substitute it (together, a "**Voluntary Disposal**" and each of a Voluntary Disposal, a Substitution Disposal, an Option Disposal, a CPO Disposal and a Minor Disposal is referred to as a "**Permitted Disposal**"),

provided that:

- (i) in the case of any proposed disposal of a Mortgaged Property, two directors of the General Partner (on behalf of the Partnership) (as applicable) have certified in writing to the Issuer and the Partnership Security Trustee that such disposal is a Permitted Disposal and the type of Permitted Disposal and, in the case of a Voluntary Disposal or a CPO Disposal, have made such certification at least 20 and no more than 40 days prior to the date of the proposed Permitted Disposal;
- (ii) in the case of a Substitution Disposal or a Voluntary Disposal, no Partnership Loan Event of Default or Potential Partnership Loan Event of Default has occurred and is continuing (and has not been waived) at the time of the relevant disposal or will occur as a result of such disposal unless the disposal will cure the Potential Partnership Loan Event of Default or, until such time as a Partnership Enforcement Notice is served, the Partnership Loan Event of Default);

- (iii) in the case of a Minor Disposal the Property Advisor has certified to the Partnership Security Trustee that the transfer or sale will not cause a reduction in the market value of the relevant Mortgaged Property taking into account any land swapped;
- (iv) the proposed disposal, in the case of a Voluntary Disposal, is, or is part of a transaction which is on arm's length commercial terms (and, for the avoidance of doubt, a disposal to a member of the Tesco Group would not for the sole reason that it is to a member of the Tesco Group be determined not to be on such terms);
- (v) the Partnership certifies that it shall prepay the Partnership Loan in the amount (if any) required by the Partnership Loan Agreement and pays all related amounts into the Partnership Disposal Proceeds Account in accordance with the terms of the Cash Management Agreement (for further details concerning the prepayment mechanism, see "*Summary of Transaction Documents – The Partnership Loan Agreement*"); and
- (vi) in the case of any Substitution Disposal or Voluntary Disposal, the Partnership shall have procured in its own favour:
  - (1) from the purchaser a covenant to indemnify the Partnership and the Nominees against any future breach of any obligation to which they will remain bound in respect of that Mortgaged Property; and
  - (2) a release of all the Partnership's and the Nominees' liabilities (whether existing or future) arising out of any documentation between it and the Occupational Tenant relating to the relevant Mortgaged Property.

B. No consent is needed for a disposal of a Mortgaged Property which is by way of a permitted security interest.

### ***Alterations of the Mortgaged Properties***

Pursuant to the terms of the Partnership Loan Agreement, the relevant Obligor will covenant that they shall take appropriate steps with a view to ensuring that:

- (a) an Occupational Tenant shall not carry out any alterations, additions, improvements, extensions in or to and demolition of and the rebuilding and creation of any new buildings or structure on any Mortgaged Property or any part of it ("**Alterations**"), other than in accordance with the relevant Occupational Leases (and where the Obligor has a discretion in relation thereto, it shall exercise such discretion as a prudent owner of property similar to the Mortgaged Property in question);
- (b) an Occupational Tenant shall not permit any tenant pursuant to any underlease to carry out any Alterations in breach of the provisions contained in the relevant underlease; and
- (c) if a Mortgaged Property is not subject to an Occupational Lease, no Obligor shall carry out any Alterations without the consent of the Partnership Security Trustee.

For further details on the terms of the Occupational Leases relating to alterations, see "*Summary of Transaction Documents – The Occupational Leases*" and, for further details on the provisions of the Substitution Agreement relating to the funding of alterations by the Partnership, see "*Funding of Alterations*".

## ***The Substitution Agreement***

On the Closing Date, each of TSL, TPHL, Tesco, the Partnership, the Nominees, the Partnership Security Trustee, the JPUT Trustee and the Tesco Nominees will enter into an agreement (the "**Substitution Agreement**") under which TPHL, TSL or the Tesco Nominees (as applicable) will (a) be entitled to require a substitution of or, in certain circumstances, will be obliged to substitute, a Mortgaged Property and/or (b) be required to offer the Partnership the opportunity to fund certain works to buildings on a Mortgaged Property or to acquire and fund works to land adjoining the Mortgaged Property.

Tesco will guarantee the obligations of TSL, TPHL and the Tesco Nominees under the Substitution Agreement.

### ***Substitutions***

TPHL, TSL or the Tesco Nominees (as applicable) may elect to substitute a property subject to there being no subsisting forfeiture or irritancy event under the Occupational Leases. In addition, TPHL, TSL or the Tesco Nominees (as applicable) will be required to substitute a property in relation to which a Substitution Event occurs. In relation to any substitution, TPHL, TSL or the Tesco Nominees (as applicable) must identify, in respect of a retail store, three properties which are available and, in respect of a Distribution Centre, one or more properties which are either individually or collectively available to be substituted for the relevant Mortgaged Property and give notice of them to the General Partner and the Partnership Security Trustee and the General Partner (on behalf of the Partnership) shall select one of the properties so identified (an "**Incoming Property**"). If the General Partner fails to make a selection, TPHL, TSL or the Tesco Nominees (as applicable) will do so. If a Substitution Event occurs in respect of a Mortgaged Property, instead of substituting TPHL, TSL or the Tesco Nominees (as applicable) may elect instead to acquire the Headlease of the relevant Mortgaged Property at the higher of Market Value of the Mortgaged Property (as defined below) and the aggregate of all amounts (certified by the Cash Manager) which the Partnership will be required to pay or repay pursuant to the Partnership Loan Agreement as a result of the sale of the Headlease of the relevant Mortgaged Property, including without limitation all principal, hedge termination costs and early redemption charges.

In the case of a substitution of the Livingston Distribution Centre, the substitution will be of the Head Lease of the Livingston Distribution Centre, the Existing DC Lease and the DC Depot Propco Lease.

A "**Substitution Event**" occurs when (a) there is damage or destruction to the buildings on a Mortgaged Property which Tesco has not for any reason reinstated within 3 years, (b) a competent authority makes an order to purchase the whole or part of a Mortgaged Property or the rights over or which benefit it by the exercise of compulsory purchase powers and the purchase is likely to reduce the Market Value of the Headlease of the Mortgaged Property by at least 10% or (c) the outstanding Completion Certificate Acceptances in relation to the construction of the Livingston Distribution Centre have not been obtained and copies produced to the General Partner within 3 years of the date of the Substitution Agreement.

The following criteria must be satisfied for any substitution, as certified to the Issuer and the Partnership Security Trustee:

#### **(a) *Income/value criteria***

- (i) The Vacant Possession Value and the Market Value of the Headlease of the Incoming Property subject to and with the benefit of the Occupational Lease of the Incoming Property (assuming both have been granted) is at least the same as the

Vacant Possession Value and the Market Value of the Headlease of the property to be substituted (the "**Outgoing Property**") as at the date certified.

- (ii) The principal rent reserved by the Occupational Lease of the Incoming Property will be at least the same as the principal rent reserved by the Occupational Lease of the Outgoing Property as at the date certified.
- (iii) The rent reserved by the Occupational Lease, the payment dates and the rental uplifts of the Incoming Property will be at least the same as the rent reserved by the Occupational Lease, the payment dates and the rental uplifts of the Outgoing Property at the date of substitution.
- (iv) A Distribution Centre can be substituted by more than one replacement property provided that the Market Value of the incoming properties is at least equivalent to the Market Value of the outgoing Distribution Centre.

All valuations are to be undertaken by the Property Advisor on the basis that it owes a duty of care to the Partnership and the Partnership Security Trustee.

**(b) *Legal/technical and qualitative criteria***

- (i) The Incoming Property is a trading and completed retail store (or distribution centre) with adequate parking and is located in England or Wales or Scotland.
- (ii) The gross internal area of the Incoming Property shall be not less than 20,000 square feet and the Incoming Property does not include any residential element which would result in the Incoming Property constituting taxable property under the Finance Act 2004 without the prior consent of the JPUT Trustee.
- (iii) Not more than four of the Mortgaged Properties shall comprise or be used for, and not more than 35% of the total rents payable in respect of the Mortgaged Properties shall be derived from Mortgaged Properties which comprise or are used for, storage or distribution.
- (iv) In relation to the retail stores, (1) not more than 35% of the total gross rents payable in respect of the Mortgaged Properties will be within the north east of England, (2) not more than 35% of the total gross rents payable in respect of the Mortgaged Properties will be within the south west of England and Wales, (3) not more than 45% of the total gross rents payable in respect of the Mortgaged Properties will be within the Midlands and the east of England, (4) not more than 40% of the total gross rents payable in respect of the Mortgaged Properties will be within the north west of England, (5) not more than 35% of the total gross rents payable in respect of the Mortgaged Properties will be within Greater London and the south east of England and (6) not more than 35% of the total gross rents payable in respect of the Mortgaged Properties will be within Scotland.
- (v) The Incoming Property is owned by a Tesco Group company freehold or leasehold (or, if located in Scotland, the relevant Tesco Group company has heritable or long leasehold title to such property) for a term of years exceeding the residue of the term of years of the Headlease of the Outgoing Property.
- (vi) If the Incoming Property is leasehold, the terms of the lease satisfy specified requirements and are suitable for security purposes in an asset-backed capital markets transaction.

- (vii) The General Partner (on behalf of the Partnership) and the Partnership Security Trustee receive in respect of the Incoming Property (1) a certificate of title from TPHL's, TSL's or the Tesco Nominees' (as applicable) solicitors disclosing no materially adverse matters, (2) a structural report disclosing no materially adverse matters, (3) an environmental report disclosing that the environmental risk is considered to be low and (4) a valuation report as to the Market Value.
- (viii) Certain other legal and documentary conditions precedent set out in the Substitution Agreement are satisfied.

(Such criteria are the "**Substitution Criteria**".)

If the relevant substitution would result in the aggregate principal rents of all Incoming Properties, excluding any substituted as a result of a Substitution Event, accounting for more than 15% of the aggregate initial principal rents, then the relevant substitution will require the prior written consent of the General Partner (on behalf of the Partnership).

If the Substitution Criteria are not met or if the relevant substitution would result in the aggregate principal rents of all Incoming Properties, excluding any substituted as a result of a Substitution Event, being more than 20% of the aggregate initial principal rents of all of the Mortgaged Properties, then the substitution will require the prior written consent of the General Partner (on behalf of the Partnership) and the Partnership Security Trustee.

If the Market Value of the Headlease of an Incoming Property exceeds the Market Value of the Headlease of an Outgoing Property, the Partnership (acting by the General Partner) may elect to pay the excess Market Value on completion of the substitution from funds which are subordinated to the claims of the Partnership Secured Creditors in respect of the Partnership Secured Obligations. If the General Partner (on behalf of the Partnership) does not so elect then, at the election of the Partnership either:

- (a) the Headlease of the Incoming Property, shall reserve as additional rent a rent equal to the amount by which the initial principal rent reserved by the Occupational Lease of the Incoming Property is greater than the principal rent reserved by the Occupational Lease of the Outgoing Property (which additional rent will then increase in the same manner and at the same times as the rent payable under the Occupational Lease of the Incoming Property) (such additional rent being the "**Substitution Adjustment Rent**"); or
- (b) the Occupational Lease of the Incoming Property shall reserve an initial principal rent equal to the principal rent reserved by the Occupational Lease of the Outgoing Property.

On a later sale of a Mortgaged Property to which paragraph (a) or (b) above applies, TPHL, TSL or the Tesco Nominees (as applicable) or the relevant Tesco Group company may elect to require the Partnership to make a payment to reduce the Substitution Adjustment Rent to nil or a consideration of the proportion of the proceeds of sale equal to the attributable "excess" Market Value. That price will be paid in accordance with the Partnership Pre-Enforcement Priority of Payments or the Partnership Post-Enforcement Priority of Payments (as applicable).

TPHL, TSL or the Tesco Nominees (as applicable) will be responsible for all stamp duty land tax, registration and other taxes and duties which are payable in connection with a substitution. All reasonable legal and other costs and expenses incurred by the parties in connection with a substitution are to be paid by TPHL, TSL or the Tesco Nominees (as applicable), but each of the partners is to bear its own liability for any tax on any income profits or gains arising out of any substitution except as mentioned above. These payment obligations of TPHL, TSL or the Tesco Nominees (as applicable) are guaranteed by Tesco.

For the purposes of the Substitution Agreement:

**"Market Value"**, in respect of the Headlease of a Mortgaged Property, has the meaning given to that term in the Appraisal Manual issued by the RICS current at the time of the valuation (or, failing that, the nearest equivalent document defining generally accepted valuation terms, requirements and practices):

- (a) assuming that any building on the Mortgaged Property has been constructed to a shell finish (that is to say, including the items set out in Part 1 of the Eighth Schedule of the relevant Occupational Lease but excluding the items set out in Part 2 of the Eighth Schedule of the relevant Occupational Lease) but includes any Alterations funded by the Partnership);
- (b) assuming that the Mortgaged Property is sold subject to and with the benefit of the relevant Occupational Lease and assuming that the obligations on the part of the Occupational Tenant in the Occupational Lease have been observed and performed and that the Occupational Lease will not be determined, surrendered or merged and that TSL or the Tesco Nominees will remain the Occupational Tenant and Tesco will remain the Occupational Tenant Guarantor;
- (c) assuming in respect of an Outgoing Property or a property to which the alteration or adjoining land development provisions apply if the property has been destroyed or damaged, it has been fully reinstated as at the valuation date;
- (d) disregarding any effect on the value of the Mortgaged Property of any options or pre-emptions affecting the property contained in any of the option agreements;
- (e) disregarding any discount which might be applied in respect of the Mortgaged Property if all or any other of the Mortgaged Properties were placed on the market at the same time;
- (f) assuming that where applicable the variation in relation to the Substitution Adjustment Rent has been made;
- (g) assuming that TSL or the Tesco Nominees as the Occupational Tenants have exercised or will exercise the right to renew the Occupational Leases on the Occupational Lease Maturity Date and continue to have the benefit of the two further options to extend;
- (h) assuming the Mortgaged Property if a store is used only as a supermarket and that any petrol filling station on the property is used as a petrol filling station and if a distribution centre is used only as a distribution warehouse or actual use, whichever results in a higher valuation;
- (i) assuming if the Mortgaged Property is an Incoming Property or the property has a non-funded alteration, the requisite documents prescribed under the agreement have been completed; and
- (j) allowing for purchasers' costs of 1.725%.

**"RICS"** means the Royal Institution of Chartered Surveyors.

**"Vacant Possession Value"** means the Market Value of the Headlease of the applicable Mortgaged Property assuming vacant possession of the property and assuming that the option to renew the Occupational Lease of the property has not and will not be exercised.

### ***Funding of Alterations***

TPHL, TSL or the Tesco Nominees are required to offer the Partnership the opportunity to fund certain Alterations.

If the General Partner (on behalf of the Partnership) agrees to fund an Alteration, then (subject to the funding being subordinated to the claims of the Partnership Secured Creditors in respect of the Partnership Secured Obligations) after practical completion of the Alteration:

- (a) the rent reserved by the relevant Occupational Lease is to be increased by an amount equal to the increase in the gross internal area multiplied by the passing rent per square foot (the "**Alteration Adjustment Rent**"); and
- (b) the Partnership is to pay to TSL, TPHL or the Tesco Nominees (as applicable), by way of a cash payment, an amount equal to the amount by which the Market Value of the Headlease of the Mortgaged Property on practical completion of the Alteration exceeds the Market Value of the Headlease of the Mortgaged Property immediately before the start of the works comprising the Alteration (disregarding, in the latter valuation, the effect on value of any planning permission for the alteration) (the "**Increased Alteration Value**").

If the General Partner (on behalf of the Partnership) declines to fund the Alteration, then the Headlease landlords may fund the Alteration itself and may require an increase in the rent reserved by the Headlease of the Mortgaged Property and the rent reserved by the Occupational Lease of the Mortgaged Property, as from practical completion of the Alteration, by an amount equal to the Alteration Adjustment Rent. In respect of the Headlease of the Mortgaged Property, such increased rent shall be payable for so long as the rent is paid under the Occupational Lease. For the purpose of this paragraph only, the reference to "Occupational Lease" does not include any renewal of the Occupational Lease.

TSL propose to carry out certain alterations to the Deysbrook Barracks property comprising the construction of a new petrol filling station, the extension of the existing retail space into the adjacent vacant unit, the addition of a bulk store warehouse and works to the entrance and the car parking. TSL shall not be obliged to offer the Partnership the opportunity of funding these works, which will be funded by TSL and such works will be deemed to be non-funded alterations.

On a sale of a Mortgaged Property which has been subject to an Alteration which has not been funded by the Partnership, TSL, TPHL or the Tesco Nominees (as applicable) may elect to require the Partnership to make a payment to reduce the rent payable under the Headlease of the Mortgaged Property to nil (or £1 if a Scottish property). The consideration payable should be the proportion of the sale price as equals the sum of the difference between the Market Value disregarding the Alteration and the Market Value of the Headlease of the altered property and Market Value attributable to the Alteration. Any such payment to TSL, TPHL or the Tesco Nominees (as applicable) will be made out of the sale proceeds and in accordance with the relevant Partnership Priority of Payments.

Any stamp duty land tax payable in respect of any variation of a Headlease or an Occupational Lease is to be borne by TSL, TPHL or the Tesco Nominees (as applicable). All reasonable legal and other costs and expenses incurred by the other parties in connection with an Alteration are to be borne by TSL, TPHL or the Tesco Nominees (as applicable).

The installation of any mezzanine floor is not an Alteration and TSL, TPHL or the Tesco Nominees (as applicable) are not obliged to but may offer the works for funding by the Partnership.



If TSL, TPHL or the Tesco Nominees (as applicable) elects, it may implement the procedure for Alterations in respect of any mezzanine save that the Alteration Adjustment Rent shall be calculated at 50% of the rate of rent per square foot for the relevant property reserved by the Occupational Lease immediately before practical completion of the mezzanine.

### ***Adjoining Land Developments***

An "**Adjoining Land Development**" is an alteration, addition to, or extension of, an existing building or the demolition of an existing building and the construction of a new building that, in any such case, involves the acquisition of land adjoining the Mortgaged Property and may involve the construction of a new building wholly on the Mortgaged Property or wholly on the adjoining land or partly on both. This specifically excludes adjoining land at Livingston if, and to the extent, it is developed either as a biomass facility or for any development which is used or operated independently of the business carried out and, in either case, is not part of or ancillary to the Livingston Distribution Centre.

TSL, TPHL or the Tesco Nominees (as applicable) is obliged to offer the Partnership the opportunity to fund any Adjoining Land Development, including the cost of acquisition of the relevant adjoining land. Where the Partnership accepts such an offer, TSL, TPHL or the Tesco Nominees (as applicable) and the Partnership are to endeavour, in good faith and as soon as reasonably practicable, to agree the terms of the Partnership's participation in funding the relevant Adjoining Land Development. If terms cannot be agreed with the Partnership, TSL, TPHL or the Tesco Nominees (as applicable) may either, subject to the approval of the Partnership Security Trustee and the Partnership, carry out the Adjoining Land Development at its own cost or substitute the relevant Mortgaged Property (in accordance with the terms of the Substitution Agreement).

In any event, Tesco has agreed that it will not permit any Tesco Group entity to carry out any Adjoining Land Development without the consent of the Partnership Security Trustee and unless the other requirements are satisfied. These include that where the Partnership does not acquire the adjoining land required for the Adjoining Land Development, the Vacant Possession Value and the Market Value respectively of the Headlease of the relevant Mortgaged Property (excluding the adjoining land) and the marketability of that property will not be adversely affected by the proposed Adjoining Land Development or where the Partnership acquires the adjoining land required for the Adjoining Land Development, the Vacant Possession Value and Market Value of the Headlease of the relevant Mortgaged Property (including the adjoining land) is not less than the Vacant Possession Value and Market Value respectively of the Headlease of the Mortgaged Property (excluding the adjoining land) before the Adjoining Land Development was proposed, the appropriate Headlease and Occupational Lease is entered into and the adjoining land is charged to the Partnership Security Trustee. On the subsequent sale of a Mortgaged Property which has been the subject of an Adjoining Land Development which has not been funded by the Partnership, Tesco will be entitled to receive, out of the sale proceeds, but subject to the relevant Partnership Priority of Payments, such proportion of the net sale proceeds as reflects the increased Market Value attributable to the carrying out of the Adjoining Land Development.

In the case of the properties in Scotland, the rights of the Nominees under the Substitution Agreement will be secured by a first ranking standard security.

### ***The Property Option Agreement***

On or before the Closing Date, each of TSL, the Nominees, the Occupational Tenants, the Partnership and the Partnership Security Trustee will enter into an agreement (the "**Property Option Agreement**") granting each Occupational Tenant the option (each an "**Option**") to acquire

the landlord's interest (being the tenant's interest under the Headlease) in all or any one or more of each of the Mortgaged Properties leased to it individually on the Occupational Lease Maturity Date.

The options must be exercised between 18 months and 6 months and one day before the expiry of the term of the Occupational Lease. If an Option is exercised, the price payable is the Market Value of the landlord's interest in the Mortgaged Property in question determined by the Property Advisor as at the date of expiry of the term of the Occupational Lease where Market Value has broadly the same meaning as set out above.

The option is exercisable by TSL or the Tesco Nominees (as appropriate) and, in the case of the properties in Scotland, will be secured by a first ranking standard security in favour of the party who has the benefit of the option. The option may not be exercised in respect of a Mortgaged Property if any event entitling the Landlord to forfeit the Occupational Lease of that Mortgaged Property is continuing and, if the Occupational Lease of any Mortgaged Property is forfeited, the mortgage or standard security in respect of that property lapses and is of no further effect.

## RESOURCES AVAILABLE TO THE PARTNERSHIP AND THE ISSUER

*The following is intended only to be a summary of certain provisions of the documents relating to the Bonds and the Partnership Loan.*

### ***The Issuer Swap Agreement***

For a further description of the Issuer Swap Provider, see the sections of this document entitled "*The Parties*" and "*Tesco Plc (Tesco)*". For a further description of the Issuer Swap Agreement and the mismatch that is intended to be mitigated by the Issuer Swaps, see the sections of this document entitled "*Transaction Overview – Source of funds for payments of the Bonds*" and "*Summary of Transaction Documents – The Swap Agreements – The Issuer Swap Agreement*". For a description of the risks associated with the Issuer Swaps, see the section of this document entitled "*Risk Factors – Hedging risks*".

The Issuer Swaps may be terminated in certain limited circumstances, some of which are more particularly described below. Any such termination may oblige the Issuer or the Issuer Swap Provider to make a termination payment.

In the event that the Bonds are redeemed early in full, the Issuer Swaps are likely to be terminated by the Issuer Swap Provider. Any termination amounts payable to the Issuer Swap Provider as a result of an early termination of the Issuer Swaps will be funded by the Partnership making corresponding termination payments to the Issuer pursuant to the Partnership Swap Agreement due to the termination of the Partnership Swaps.

In the event that the Bonds are redeemed early in part, the aggregate notional amount of the Issuer Swaps shall reduce proportionately with a corresponding payment being made. Any such payment payable to the Issuer Swap Provider will be funded by the Partnership making corresponding payments to the Issuer under the Partnership Swap Agreement as a result of the notional amounts of the Partnership Swaps reducing proportionately (*pro rata* to the amount of such corresponding early repayment of the Partnership Loan).

The service of a Bond Acceleration Notice on the Issuer shall constitute an additional termination event that may result in the termination of the Issuer Swaps.

In addition, the Issuer Swaps may be terminated in certain other circumstances, including (but not limited) to the following:

- (a) if there is a failure by a party to pay amounts due under the Issuer Swap Agreement and any applicable grace period has expired;
- (b) by the Issuer if certain insolvency events occur with respect to the Issuer Swap Provider;
- (c) by the Issuer if a breach of a provision of the Issuer Swap Agreement by the Issuer Swap Provider is not remedied within any applicable grace period;
- (d) if a change in law results in the obligations of one or both of the parties becoming illegal; and
- (e) by the Issuer on the occurrence of any of the events listed in Condition 9.1 (Bond Events of Default – Bond Acceleration Notice).

The Issuer's obligations to the Issuer Swap Provider under the Issuer Swap Agreement will be secured under the Issuer Deed of Charge. In the event of the Issuer Security being enforced thereunder, any Swap Subordinated Amounts will rank below the Issuer's obligations to pay interest, principal and any premium on the Bonds.

The Issuer will not be obliged under the Issuer Swap Agreement to gross up payments made by it to the Issuer Swap Provider if a withholding or deduction for or on account of tax is imposed on such payments. The Issuer Swap Provider will in most circumstances be obliged to gross up any payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on such payments. The Issuer Swap Provider may, if either, (a) it receives a reduced payment from the Issuer under the Issuer Swap Agreement or (b) it is obliged to pay any such additional amounts under the Issuer Swap Agreement as a result of a change in law (or the application or official interpretation thereof), terminate the Issuer Swaps (subject to the condition that the Issuer Swap Provider shall first have used reasonable efforts to transfer its rights and obligations under the Issuer Swap Agreement to another of its offices, an affiliate or a third party such that payments made by or to that office, affiliate or third party under the Issuer Swap Agreement can be made without any withholding or deduction for or on account of tax provided that, in the event of such transfer to an affiliate or third party, the Issuer Swap Provider provides a guarantee relating to the obligations transferred for the benefit of the Issuer).

The termination of the Issuer Swaps due to the occurrence of an event of default or termination event under the Issuer Swap Agreement will result in the termination of the Partnership Swaps.

The Issuer Swap Provider may, with the prior consent of the Issuer and any conditions specified in the Issuer Swap Agreement, transfer its obligations under the Issuer Swap Agreement to another party provided that it provides a guarantee relating to the obligations transferred for the benefit of the Issuer.

The obligations of the Issuer Swap Provider under the Issuer Swaps will be guaranteed by a Highest Rated Entity if (a) such entity exists and (b) the long term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's, A- by S&P and A- by Fitch.

### ***Bank Accounts***

The description of the operation of the Partnership Rent Account in this section will only apply prior to the enforcement of the Partnership Level Security. Following the enforcement of the Partnership Level Security, the Partnership Rent Account will operate in accordance with the instructions of the Partnership Security Trustee or, as the case may be, any receiver appointed under the relevant Partnership Security Document.

The description of the operation of the Partnership Transaction Account, the Partnership VAT Account, the Partnership Disposal Proceeds Account, the Partnership Insurance Proceeds Account and the Partnership Distribution Account (all such accounts, being the "**Partnership Accounts**") and the General Partner Corporation Tax Reserve Account (as defined below) in this section will only apply prior to the enforcement of the Partnership Level Security. Following the enforcement of the Partnership Level Security, the Partnership Accounts and the General Partner Corporation Tax Reserve Account will operate in accordance with the instructions of the Partnership Security Trustee or, as the case may be, any receiver appointed under the Partnership Security Documents.

The description of the operation of the Issuer Transaction Account in this section will only apply prior to the enforcement of the Issuer Security. Following the enforcement of the Issuer Security,

the Issuer Transaction Account will operate in accordance with the instructions of the Issuer Security Trustee or, as the case may be, any receiver appointed under the Issuer Deed of Charge.

### ***The Partnership Rent Account***

As at the Closing Date, the Partnership and the Nominees will have directed the Occupational Tenants (in respect of the Mortgaged Properties) to pay all Rental Income payable in respect of the relevant premises within such Mortgaged Properties into the Partnership Rent Account. Pursuant to the terms of the Partnership Loan Agreement and the Cash Management Agreement, the Partnership and the Nominees will covenant that they will ensure that, for so long as the Partnership Loan remains outstanding, the Occupational Tenants will pay all Rental Income payable in respect of the Mortgaged Properties into the Partnership Rent Account.

Pursuant to the Cash Management Agreement, monies standing to the credit of the Partnership Rent Account (other than the proceeds of the subordinated loans of £1,000 each made by the Issuer and deposited to the Partnership Rent Account on the Closing Date to be held by the Nominees on behalf of themselves and each of the General Partner, Nominees Holdco and Depot Propco) on each Calculation Date will be transferred to the Partnership Transaction Account on the immediately following Loan Interest Payment Date.

### ***The Partnership Transaction Account***

On or before the Closing Date, pursuant to the Account Bank Agreement the Partnership shall establish and maintain an account with the Account Bank into which part of the proceeds the Partnership Loan will be paid on the Closing Date and to which amounts will be transferred from the Partnership Rent Account on each Loan Interest Payment Date (the "**Partnership Transaction Account**"). Pursuant to the Cash Management Agreement, monies standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger) may not be used for any purpose other than:

- (a) paying certain expenses of the Partnership on the Closing Date (including the Initial Partnership Facility Fee);
- (b) making Eligible Investments; and
- (c) making payments due (or to be provided for) on each Loan Interest Payment Date in accordance with the Cash Management Agreement and the Partnership Security Documents (as applicable).

### ***The Partnership Expenses Reserve***

Pursuant to the Cash Management Agreement, on the Closing Date, the Cash Manager shall create a ledger (the "**Partnership Expenses Reserve Ledger**") on which it will record amounts held as a reserve in the Partnership Transaction Account in order to enable it to meet unexpected expenses of the Partnership and the Issuer and to make payment of Issuer Profit to the Issuer.

On the Closing Date the Partnership will credit £6,250 to the Partnership Expenses Reserve Ledger. In addition, on each Loan Interest Payment Date, to the extent that funds are available at item (e) of the Partnership Pre-Enforcement Priority of Payments, the Cash Manager shall credit the Partnership Expenses Reserve Ledger with the lesser of (i) £6,250 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) and (ii) the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than £500,000 (the "**Partnership Expenses Reserve Ledger Maximum Balance**") and to the extent that funds are available at item (k) of the Partnership Pre-Enforcement Priority of Payments, the Cash

Manager shall credit the Partnership Expenses Reserve Ledger with such amounts until the balance is equal to the Partnership Expenses Reserve Ledger Maximum Balance. Any proceeds of a CPO Disposal or insurance proceeds which pursuant to the Partnership Loan Agreement are not required to be applied in prepayment of the Partnership Loan shall be credited to the Partnership Transaction Account and recorded on the Partnership Expenses Reserve Ledger until the balance of the Partnership Expenses Reserve Ledger is equal to the Partnership Expenses Reserve Ledger Maximum Balance. To the extent that there are proceeds of a CPO Disposal or insurance proceeds remaining when the balance of the Partnership Expenses Reserve Ledger is equal to the Partnership Expenses Reserve Ledger Maximum Balance, such remaining amounts may be credited to the Partnership Distribution Account.

To the extent that there will be insufficient Partnership Available Funds (as defined below) on any Loan Interest Payment Date to meet items (a) to (d) and (f) to (i) of the Partnership Pre-Enforcement Priority of Payments (the "**Partnership Senior Amounts**"), the Partnership Expenses Reserve Ledger will be debited by an amount equal to such shortfall (a "**Partnership Expenses Shortfall**") or any lesser amount standing to the credit thereto. Tesco will also agree pursuant to an agreement between it as lender and the Partnership as borrower (the "**Committed Subordinated Loan Agreement**") that if, on any Loan Interest Payment Date while any amount remains outstanding under the Partnership Loan Agreement, (x) the sum of (i) the aggregate amount of the Principal Rent due under the Occupational Leases in respect of the Mortgaged Properties on the Rent Payment Date immediately preceding such Loan Interest Payment Date less the aggregate amount of the Partnership Index Linked Legs for such Loan Interest Payment Date and (ii) the amount to be debited to the Partnership Expenses Reserve Ledger on such Loan Interest Payment Date is less than (y) the amount of Partnership Available Funds required to meet items (a) to (d) (inclusive) and item (i) of the Partnership Pre-Enforcement Priority of Payments on such Loan Interest Payment Date, it will advance a subordinated loan to the Partnership in an amount equal to such difference and to the extent that such an amount is not advanced will indemnify the Partnership in respect of its failure to do so.

### ***The Partnership VAT Account***

Pursuant to the Account Bank Agreement, the Partnership will establish and maintain an account (the "**Partnership VAT Account**") with the Account Bank to which such part of any amounts paid to the Partnership as represents value added tax chargeable on any supply or supplies made by the Partnership or by the General Partner (on behalf of the Partnership) for value added tax purposes and any sums representing value added tax which are reclaimed by the General Partner from HM Revenue & Customs shall be credited. The Partnership shall use amounts standing to the credit of the Partnership VAT Account to pay any value added tax which it or the General Partner (on its behalf) is required to pay to HM Revenue & Customs from time to time. On the basis of a reconciliation occurring within one month of the end of each VAT return period of the Partnership or the General Partner, any amounts standing to the credit of the Partnership VAT Account over and above those required to be paid to HM Revenue & Customs in respect of that VAT return period (and any earlier such period) shall be transferred to the Partnership Transaction Account, save that any sum which is reclaimed from HM Revenue & Customs by the General Partner or otherwise recovered in respect of value added tax chargeable on (i) the acquisition of the Mortgaged Properties, (ii) the supplies in respect of the Livingston Distribution Centre in respect of which certain payments are made to the Developer and (iii) the supplies in connection with the entry into of the transactions pursuant to the Partnership Transaction Documents in respect of which certain costs and expenses are charged or recharged to the Partnership or the General Partner (on its behalf) where, pursuant to the terms of the relevant Partnership Transaction Document, the value added tax in question is payable only when and to the extent that it is reclaimed from HM Revenue & Customs or otherwise recovered, shall not be credited to the

Partnership VAT Account and shall instead be paid in or towards settlement of that value added tax.

### ***The Partnership Disposal Proceeds Account***

Pursuant to the Account Bank Agreement, the Partnership will upon the occurrence of a disposal of a Mortgaged Property in accordance with the terms of the Cash Management Agreement establish and maintain an account (the "**Partnership Disposal Proceeds Account**") with the Account Bank to which the net proceeds of disposals of such Mortgaged Properties will be credited.

Amounts credited to the Partnership Disposal Proceeds Account may only be transferred as follows:

- (a) on any Loan Interest Payment Date, to the Partnership Transaction Account and used in accordance with the Cash Management Agreement, the Partnership Security Documents and the Partnership Loan Agreement to prepay the Partnership Loan and pay related amounts;
- (b) on any date, such part of any amounts standing to the credit of the Partnership Disposal Proceeds Account as represents value added tax chargeable on any supply or supplies made by the Partnership or by the General Partner (on behalf of the Partnership) for value added tax purposes, to the Partnership VAT Account; and
- (c) on the date (or as soon as possible thereafter) upon which the Account Bank pays any interest accruing on amounts credited to the Partnership Disposal Proceeds Account, an amount equivalent to such interest payment shall be transferred to the Partnership Transaction Account.

### ***The Partnership Insurance Proceeds Account***

Pursuant to the Account Bank Agreement, the Partnership will upon the receipt of any insurance proceeds in respect of a Mortgaged Property establish and maintain an account (the "**Partnership Insurance Proceeds Account**").

Amounts credited to the Partnership Insurance Proceeds Account may only be transferred as follows:

- (a) on any date, to the Partnership or as the Partnership may direct to reinstate any Mortgaged Property (or any part thereof) or otherwise to apply the same amount pursuant to the terms of the Occupational Lease in respect of such Mortgaged Property and the relevant insurance policy and/or in accordance with applicable law in the reinstatement of such Mortgaged Property;
- (b) on any Loan Interest Payment Date, if the Partnership is then obliged in accordance with the Partnership Loan Agreement to use such amounts in making a prepayment of the Partnership Loan, to the Partnership Transaction Account and used in accordance with the Cash Management Agreement, the Partnership Security Documents and the Partnership Loan Agreement to prepay the Partnership Loan and any related amounts; and
- (c) on the date (or as soon as possible thereafter) upon which the Account Bank pays any interest accruing on amounts credited to the Partnership Insurance Proceeds Account, an amount equivalent to such interest payment shall be transferred to the Partnership Transaction Account.

### ***The Partnership Distribution Account***

Pursuant to the Cash Management Agreement, all amounts payable to the Partnership under item (n) of the Partnership Pre-Enforcement Priority of Payments or item (l) of the Partnership Post-Enforcement Priority of Payments may be paid by the Partnership directly into an account established for such purpose (the "**Partnership Distribution Account**"). Amounts credited to the Partnership Distribution Account will be under the control of the Partnership and may be transferred to the Partners pursuant to the terms of the Partnership Agreement or otherwise as the Partnership may elect. The Partnership Distribution Account will be subject only to a floating charge under the terms of the Partnership Deed of Charge.

### ***The General Partner Corporation Tax Reserve Account***

Pursuant to the Account Bank Agreement, the General Partner will establish and maintain the General Partner Corporation Tax Reserve Account with the Account Bank into which an amount equal to £254,025 will be paid on or before the Closing Date. The General Partner shall use amounts standing to the credit of the General Partner Corporation Tax Reserve Account to pay any corporation tax which it is required to pay to HM Revenue & Customs from time to time.

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

Pursuant to the Account Bank Agreement, the Issuer shall establish an account in its name with the Account Bank (the "**Issuer Transaction Account**"). Pursuant to the Cash Management Agreement, monies standing to the credit of the Issuer Transaction Account may not be used for any purpose other than:

- (a) making Eligible Investments; and
- (b) making payments due under the Issuer Swap Agreement and the Partnership Swap Agreement on each Loan Interest Payment Date and the other payments due (or to be provided for) on the immediately following Bond Interest Payment Date in accordance with the Cash Management Agreement and the Issuer Deed of Charge (as applicable).

### ***Eligible Investments***

Pursuant to the Cash Management Agreement, amounts held in the Issuer Transaction Account, the Partnership Rent Account, the Partnership Accounts (other than the Partnership Distribution Account) and the General Partner Corporation Tax Reserve Account may be invested from time to time in Eligible Investments by the Cash Manager on a non-discretionary basis (without any liability on the Cash Manager's part) at the direction of the Issuer (in the case of the Issuer Transaction Account), the Partnership (in the case of the Partnership VAT Account), the Nominees (in the case of the Partnership Rent Account) and the General Partner (in the case of the General Partner Corporation Tax Reserve Account).

"**Eligible Investments**" mean (a) sterling gilt edged securities; and (b) sterling deposits, provided that in all cases (i) such investments have a maturity date of (A) so long as the Bonds have a rating assigned by S&P of A or lower, 90 days or less and (B) so long as the Bonds have a rating assigned by S&P of A+ or higher, 60 days or less and (in each case) mature on or before the next Calculation Date; (ii) the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised bank under the Financial Services and Markets Act 2000 ("**FSMA**")) are rated A-1 by S&P, F-1 by Fitch and P-1 by Moody's or higher; and (iii) (save as a result of a change of law after the date of such investments or if interest paid in respect of the Accounts is subject to



withholding for or on account of Tax) all amounts paid in respect of such investments are payable without withholding for or on account of Tax.

### ***Application of Partnership Available Funds***

Prior to the service of a Partnership Enforcement Notice, on each Loan Interest Payment Date, all Partnership Available Funds (excluding any amount payable to the Partnership by the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date that is satisfied by set-off as set out below) together with any amount debited to the Partnership Expenses Reserve Ledger and/or any drawing by the Partnership under the Committed Subordinated Loan Agreement on that Loan Interest Payment Date in respect of a Partnership Expenses Shortfall, shall be applied in the following order of priority (the "**Partnership Pre-Enforcement Priority of Payments**"), in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full:

- (a) first, in or towards satisfaction of any fees and other remuneration, costs, expenses and any other amounts payable by the Partnership to the Partnership Security Trustee and its appointees (if any) under the provisions of the Partnership Security Documents on that Loan Interest Payment Date;
- (b) second, (except to the extent satisfied by set-off as set out below) in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to items (a) and (b) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (a) of the Issuer Post-Enforcement Priority of Payments on the immediately following Bond Interest Payment Date;
- (c) third, in or towards satisfaction of any operating expenses incurred by the Partnership and either due or overdue for payment by the Partnership on such Loan Interest Payment Date or certified by the Partnership to the Cash Manager to fall payable by the Partnership during the following Loan Interest Period (other than as provided elsewhere in this priority of payments), excluding any amounts payable by the General Partner in respect of United Kingdom corporation tax and other tax for which the General Partner is primarily liable under the laws of any jurisdiction;
- (d) fourth, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
  - (i) the fees and other amounts payable by the Partnership to the Partnership Operator pursuant to the Partnership Operating Agreement on that Loan Interest Payment Date;
  - (ii) any amount payable by the Partnership to the Property Advisor in respect of the fees and other amounts payable to the Property Advisor pursuant to the Property Advisor Agreement on that Loan Interest Payment Date;
  - (iii) any amount payable by the Partnership to the Nominees/Nominees Holdco Corporate Services Provider in respect of the fees and other amounts payable to the Nominees/Nominees Holdco Corporate Services Provider pursuant to the Nominees/Nominees Holdco Corporate Services Agreement and any amount payable by the Partnership to the Depot Propco Corporate Services Provider in respect of the fees and other amounts payable to the Depot Propco Corporate Services Provider pursuant to the Depot Propco Corporate Services Agreement on that Loan Interest Payment Date;

- (iv) any amount payable by the Partnership to the Nominees and Nominees Holdco in respect of the fees and other amounts payable to Nominees and Nominees Holdco pursuant to the fee letter between, *inter alios*, the Partnership and the Nominees (the "**Nominees Side Letter**") and the fee letter between, *inter alios*, the Partnership and Nominees Holdco (the "**Nominees Holdco Side Letter**" on that Loan Interest Payment Date;
  - (v) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement on that Loan Interest Payment Date;
  - (vi) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement on that Loan Interest Payment Date;
  - (vii) (except to the extent satisfied by set-off as set out below) any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (c) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (b) of the Issuer Post-Enforcement Priority of Payments on the immediately following Bond Interest Payment Date; and
  - (viii) any amounts due in respect of any ground rent or other sum (excluding any Alteration Adjustment Rent or Substitution Adjustment Rent referred to in item (l) below) due under any Headlease of a Mortgaged Property;
- (e) fifth, to be retained in the Partnership Transaction Account and recorded on the Partnership Expenses Reserve Ledger in an amount equal to the lesser of (i) £6,250 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) and (ii) the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than the Partnership Expenses Reserve Ledger Maximum Balance, except to the extent that there would be a shortfall in respect of the amounts payable under items (f) to (i) (inclusive) below;
- (f) sixth, (except to the extent satisfied by set-off as set out below) in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
- (i) all interest payable to the Issuer in respect of the Partnership Loan on that Loan Interest Payment Date and, on the first Loan Interest Payment Date, the Partnership First Loan Interest Payment Date Fee; and
  - (ii) the amount (if any) payable to the Issuer under the Partnership Swap Agreement on that Loan Interest Payment Date other than any Partnership Swap Termination Amount;
- (g) seventh, (except to the extent satisfied by set-off as set out below) in or towards satisfaction, of amounts due in respect of any principal payable to the Issuer in respect of the Partnership Loan on that Loan Interest Payment Date;
- (h) eighth, (except to the extent satisfied by set-off as set out below) in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership

Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (e) of the Issuer Pre-Enforcement Priority of Payments;

- (i) ninth, in or towards satisfaction of any amount payable by the Partnership in respect of the fees and other amounts due to the Property Pool Manager pursuant to the Property Pool Management Agreement on that Loan Interest Payment Date;
- (j) tenth, in or towards satisfaction of any Partnership Swap Termination Amount payable to the Issuer under the Partnership Swap Agreement on that Loan Interest Payment Date;
- (k) eleventh, to be retained in the Partnership Transaction Account in an amount equal to the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than the Partnership Expenses Reserve Ledger Maximum Balance;
- (l) twelfth, in or towards satisfaction of any Alteration Adjustment Rent and any Substitution Adjustment Rent due in respect of the Mortgaged Properties;
- (m) thirteenth, in or towards satisfaction of any amount due and payable by the Partnership to Tesco under the Committed Subordinated Loan Agreement on that Loan Interest Payment Date; and
- (n) fourteenth, to pay any excess to the Partnership by depositing such excess into the Partnership Distribution Account to be applied by the Partnership first to make all payments then payable pursuant to the terms of the Partnership Agreement and thereafter as the Partnership may elect.

**"Partnership Available Funds"** means, in respect of any Loan Interest Payment Date, the aggregate of:

- (a) the Rental Income received by the Partnership during the immediately preceding Calculation Period and which is to be transferred from the Partnership Rent Account to the Partnership Transaction Account on such Loan Interest Payment Date;
- (b) the amount (if any) payable to the Partnership by the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date;
- (c) any amount transferred from the Partnership VAT Account to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (d) any amount to be transferred from the Partnership Disposal Proceeds Account to the Partnership Transaction Account on such Loan Interest Payment Date;
- (e) any amount to be transferred from the Partnership Insurance Proceeds Account to the Partnership Transaction Account on such Loan Interest Payment Date;
- (f) any interest received by the Partnership on the Partnership Accounts (other than the Partnership Distribution Account) and the Partnership Rent Account and credited or transferred to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (g) any earnings and proceeds from the Partnership making Eligible Investments and credited or transferred to the Partnership Transaction Account during the immediately preceding Calculation Period;

- (h) any advance due to be made by Tesco to the Partnership under the Committed Subordinated Loan Agreement on such Loan Interest Payment Date;
- (i) any net proceeds in respect of a CPO Disposal of a Mortgaged Property not required to be credited or transferred to the Partnership Disposal Proceeds Account and credited to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (j) any net proceeds in respect of a disposal of a Mortgaged Property not required to be credited or transferred to the Partnership Disposal Proceeds Account and credited to the Partnership Transaction Account during the immediately preceding Calculation Period; and
- (k) any other sums standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger) on the Business Day immediately preceding the immediately preceding Calculation Date.

**"Calculation Period"** means each period from (and including) a Calculation Date (or, in the case of the first Calculation Period, the Closing Date) to (but excluding) the immediately following Calculation Date (or, in the case of the first Calculation Period, the first Calculation Date).

**"Loan Interest Period"** means the period from (and including) the Closing Date to (but excluding) the first Loan Interest Payment Date and each successive period from (and including) a Loan Interest Payment Date to (but excluding) the next succeeding Loan Interest Payment Date.

Prior to the service of a Partnership Enforcement Notice, any amount due and payable by the Issuer to the Partnership on any Loan Interest Payment Date pursuant to the Partnership Swap Agreement (other than any Issuer Partnership Swap Termination Amount) will be set-off against the amounts due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (b), (d)(vii), (f), (g) and (h) above in such order of priority provided that such set-off will not be made to the extent that there would then be a shortfall in the amounts available to meet item (a) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (b), (d)(vii), (f), (g) and (h) above), items (c), (d)(i) to (vi) (inclusive) and/or (d)(viii) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (d)(vii), (f), (g) and (h) above), item (f) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (g) and (h) above) or item (g) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under item (h) above).

All moneys standing to the credit of the Partnership Accounts (other than the Partnership VAT Account) and the Partnership Rent Account or received by the Partnership Security Trustee upon enforcement of the Partnership Level Security following a Partnership Enforcement Notice will be applied in accordance with the Partnership Post-Enforcement Priority of Payments.

#### ***Application of funds following Partnership Enforcement Notice***

Following service of a Partnership Enforcement Notice, all moneys standing to the credit of the Partnership Accounts (other than the Partnership VAT Account), the Partnership Rent Account and the General Partner Corporation Tax Reserve Account or received by the Partnership Security Trustee upon enforcement of the Partnership Level Security will be applied in the following order of priority (the "**Partnership Post-Enforcement Priority of Payments**" and, together with the Partnership Pre-Enforcement Priority of Payments the "**Partnership Priorities of Payments**" and each, a "**Partnership Priority of Payments**"), in each case, only if and to the extent that payments and provisions of a higher priority have been made in full:

- (a) first, in or towards satisfaction of any fees and other remuneration, costs, expenses and any other amounts payable by the Partnership to the Partnership Security Trustee and any receiver appointed by the Partnership Security Trustee and the appointees (if any) of the Partnership Security Trustee under the provisions of the Partnership Security Documents;
- (b) second, in or towards satisfaction of any amounts payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to items (a) and (b) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (a) of the Issuer Post-Enforcement Priority of Payments;
- (c) third, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) any amounts payable by the Partnership (in respect of itself and on behalf of the Nominees) to the Property Advisor in respect of the fees and other amounts payable to the Property Advisor pursuant to the Property Advisor Agreement;
  - (ii) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement;
  - (iii) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement;
  - (iv) any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (c) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (b) of the Issuer Post-Enforcement Priority of Payments;
  - (v) any amount payable by the Partnership to the Nominees/Nominees Holdco Corporate Services Provider in respect of the fees and other amounts payable to the Nominees/Nominees Holdco Corporate Services Provider pursuant to the Nominees/Nominees Holdco Corporate Services Agreement and to the Depot Propco Corporate Services Provider in respect of the fees and other amounts payable to the Depot Propco Corporate Services Provider pursuant to the Depot Propco Corporate Services Agreement; and
  - (vi) any amounts due in respect of any ground rent or other sum (excluding any Alteration Adjustment Rent or Substitution Adjustment Rent referred to in item (j) below) due under any Headlease in respect of a Mortgaged Property;
- (d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) all interest payable to the Issuer in respect of the Partnership Loan and, on the first Loan Interest Payment Date, the Partnership First Loan Interest Payment Date Fee; and
  - (ii) the amount (if any) payable to the Issuer under the Partnership Swap Agreement other than any Partnership Swap Termination Amount;

- (e) *fifth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) all principal payable to the Issuer in respect of the Partnership Loan; and
  - (ii) any Partnership Swap Termination Amount payable to the Issuer under the Partnership Swap Agreement;
- (f) sixth, in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (e) of the Issuer Pre-Enforcement Priority of Payments;
- (g) seventh, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) any amounts payable by the Partnership to the Partnership Operator in respect of fees and other amounts payable to the Partnership Operator pursuant to the Partnership Operating Agreement; and
  - (ii) any amounts payable by the Partnership to the Nominees and Nominees Holdco in respect of fees and other amounts payable to the Nominees and Nominees Holdco pursuant to the Nominees Side Letter and the Nominees Holdco Side Letter;
- (h) eighth, in or towards satisfaction of any amounts payable by the Partnership to the Property Pool Manager in respect of the fees and other amounts due to the Property Pool Manager pursuant to the Property Pool Management Agreement;
- (i) ninth, in or towards satisfaction of any amounts payable by the Partnership in respect of operating expenses incurred by the Partnership (other than as provided elsewhere in this priority of payments), excluding any amounts payable by the General Partner in respect of United Kingdom corporation tax and other tax for which the General Partner is primarily liable under the laws of any jurisdiction;
- (j) tenth, in or towards satisfaction of any Alteration Adjustment Rent and any Substitution Adjustment Rent in respect of the Mortgaged Properties;
- (k) eleventh, in or towards satisfaction of any amounts payable by the Partnership under the Committed Subordinated Loan Agreement; and
- (l) twelfth, to pay any excess to the Partnership by depositing such excess into the Partnership Distribution Account to be applied by the Partnership first to make all payments then payable pursuant to the terms of the Partnership Agreement by the Partnership and thereafter as the Partnership may elect.

#### ***Application of Issuer Available Funds***

Prior to service of a Bond Acceleration Notice, (A) on each Loan Interest Payment Date, all Issuer Available Funds (as defined below) will be applied in satisfaction of items (d)(ii), (d)(iii), (f) and (g) and in providing for the remaining items payable on the immediately following Bond Interest Payment Date in the following order of priority (the "**Issuer Pre-Enforcement Priority of Payments**"), in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full and (B) on the immediately following Bond Interest Payment Date, in satisfaction of such items provided for on that Loan Interest Payment Date in the same order of

priority, in each case, only if and to the extent that the payments of a higher priority have been made in full:

- (a) first, in or towards satisfaction of amounts due in respect of the fees and other remuneration, costs, expenses and any other amounts payable by the Issuer to the Bond Trustee, the Issuer Security Trustee and their appointees (if any) under the provisions of the Trust Deed and the Issuer Deed of Charge (respectively) on that Bond Interest Payment Date;
- (b) second, in or towards satisfaction of any amounts payable by the Issuer in the following Bond Interest Period in respect of operating expenses incurred by the Issuer (other than as provided elsewhere in this priority of payments) on or following the Closing Date, including any amounts payable by the Issuer in respect of the establishment, maintenance and good standing of the Issuer;
- (c) third, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) any amount payable by the Issuer in respect of the fees and other amounts payable to the Issuer/Issuer Holdco Corporate Services Provider pursuant to the Issuer/Issuer Holdco Corporate Services Agreement on that Bond Interest Payment Date;
  - (ii) any amount payable by the Issuer in respect of the fees and other amounts payable to the Paying Agents under the Agency Agreement on that Bond Interest Payment Date;
  - (iii) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement on that Bond Interest Payment Date; and
  - (iv) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement on that Bond Interest Payment Date;
- (d) fourth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) all interest, all principal and any premium payable in respect of the Bonds on that Bond Interest Payment Date;
  - (ii) the amount (if any) due and payable to the Issuer Swap Provider under the Issuer Swap Agreement on that Loan Interest Payment Date, but excluding (a) any amount due and payable from the Issuer to the Issuer Swap Provider due to a termination of the Issuer Swaps on the basis of an event of default under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the defaulting party or on the basis of a termination event under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the sole affected party, (b) any amount due and payable from the Issuer to the Issuer Swap Provider in circumstances where an Occupational Tenant and the Occupational Tenant Guarantor have both failed to make a payment due and payable under an Occupational Lease, whether in whole or in part, on the immediately preceding Rent Payment Date (irrespective of whether the Issuer is the defaulting party in respect of an event of default under the Issuer Swap Agreement that resulted in such termination or whether the Issuer Swap

Provider is the sole affected party in respect of a termination event under the Issuer Swap Agreement that resulted in such termination) and (c) any amount due and payable from the Issuer to the Issuer Swap Provider in circumstances where Tesco has failed to make a payment due and payable under the Committed Subordinated Loan Agreement, whether in whole or in part, on such Loan Interest Payment Date (irrespective of whether the Issuer is the defaulting party in respect of an event of default under the Issuer Swap Agreement that resulted in such termination or whether the Issuer Swap Provider is the sole affected party in respect of a termination event under the Issuer Swap Agreement that resulted in such termination) (each a "**Swap Subordinated Amount**" and together, the "**Swap Subordinated Amounts**"); and

- (iii) (except to the extent satisfied by set-off as set out below) the amount (if any) due and payable to the Partnership under the Partnership Swap Agreement, other than (a) any amount due and payable to the Partnership due to a termination of the Partnership Swaps and (b) any amount due and payable to the Partnership in respect of a reduction in the notional amount of a Partnership Swap (an "**Issuer Partnership Swap Termination Amount**");
- (e) fifth, the amount of £750 quarterly ("**Issuer Profit**") to be retained as profit by the Issuer pursuant to the Taxation of Securitisation Companies Regulations 2006 (and from which amount the Issuer shall discharge its liability to corporation tax in respect of that retained profit and any amounts for which the Issuer is primarily liable in respect of tax under the laws of any other jurisdiction);
- (f) sixth, in or towards satisfaction of any Swap Subordinated Amounts due and payable by the Issuer to the Issuer Swap Provider under the Issuer Swap Agreement on that Loan Interest Payment Date;
- (g) seventh, in or towards satisfaction of any Issuer Partnership Swap Termination Amount payable to the Partnership under the Partnership Swap Agreement; and
- (h) eighth, the surplus (if any) to the Issuer or any other persons entitled thereto (out of which the Issuer will discharge any additional liability to UK corporation tax in excess of the UK corporation tax payable under item (e) above and which arises in connection with the retention or distribution of such surplus).

**"Issuer Available Funds"** means, in respect of any Loan Interest Payment Date and the immediately following Bond Interest Payment Date, the aggregate of:

- (a) any amount payable to the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date;
- (b) (except to the extent satisfied by way of a set-off in accordance with the Partnership Pre-Enforcement Priority of Payments) all interest, principal and other amounts payable to the Issuer in respect of the Partnership Loan on such Loan Interest Payment Date;
- (c) any amount payable to the Issuer under the Issuer Swap Agreement on such Loan Interest Payment Date;
- (d) interest received by the Issuer on the Issuer Transaction Account during the immediately preceding Calculation Period; and



- (e) the earnings and proceeds from the Issuer making of any Eligible Investments during the immediately preceding Calculation Period.

***Application of funds following Bond Acceleration Notice***

Following service of a Bond Acceleration Notice, all moneys standing to the credit of the Issuer Transaction Account or received by the Issuer Security Trustee upon enforcement of the Issuer Security (including any amounts received from the Obligors in respect of the Partnership Loan or following enforcement of the Partnership Level Security) will be applied in the following order of priority (the "**Issuer Post-Enforcement Priority of Payments**" and, together with the Issuer Pre-Enforcement Priority of Payments, the "**Issuer Priorities of Payments**" and each, an "**Issuer Priority of Payments**"), in each case, only if and to the extent that payments and provisions of a higher priority have been made:

- (a) first, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of the fees and other remuneration, costs, expenses and any other amounts payable by the Issuer to the Bond Trustee, the Issuer Security Trustee, any receiver appointed by the Issuer Security Trustee and the appointees (if any) of the Bond Trustee and the Issuer Security Trustee (respectively) under the provisions of the Trust Deed and the Issuer Deed of Charge;
- (b) second, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) any amount payable by the Issuer in respect of the fees and other amounts payable to the Issuer/Issuer Holdco Corporate Services Provider pursuant to the Issuer/Issuer Holdco Corporate Services Agreement;
  - (ii) any amount payable by the Issuer in respect of the fees and other amounts payable to the Paying Agents under the Agency Agreement;
  - (iii) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement; and
  - (iv) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement;
- (c) *third*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) all interest, all principal and any premium payable in respect of the Bonds; and
  - (ii) the amount (if any) due and payable to the Issuer Swap Provider under the Issuer Swap Agreement, but excluding any Swap Subordinated Amounts;
- (d) fourth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts due in respect of:
  - (i) any Swap Subordinated Amounts due and payable by the Issuer to the Issuer Swap Provider under the Issuer Swap Agreement; and

- (ii) any amount due and payable to the Partnership under the Partnership Swap Agreement; and
- (e) fifth, the surplus (if any) to the Issuer or any other persons entitled thereto (out of which the Issuer will discharge any liability to UK corporation tax).

## USE OF PROCEEDS

The proceeds from the issue of the Bonds will be £564,500,000.

On the Closing Date, the Issuer will, subject to and in accordance with the Partnership Loan Agreement, as described in the section entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*", apply the proceeds from the issue of the Bonds in the manner described in "*Transaction Overview*".

The expenses to be paid in relation to the admission of the Bonds to trading are estimated to be approximately £17,500.

## TESCO PROPERTY FINANCE 2 PLC (THE ISSUER)

### **Introduction**

Tesco Property Finance 2 Plc (the "**Issuer**") was incorporated in England and Wales on 28 August 2009 (registered number 7004310) as a limited liability company under the Companies Act 2006. The registered office of the Issuer is at 35 Great St. Helens, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The authorised share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each, 50,000 of which are issued and paid up (49,998 as to £0.25 each and 2 fully paid up) and all of which are held by or on behalf of Issuer Holdco, a limited liability company not affiliated with Tesco. The Issuer has no subsidiaries.

### **Principal activities**

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

Since its incorporation, the Issuer has not engaged in any activities other than those incidental to its incorporation and registration under the Companies Act 2006 and the authorisation of the issue of the Bonds and of the other documents and matters referred to or contemplated in this document and matters which are incidental or ancillary to the foregoing.

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

### **Directors and secretary**

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

<b>Name</b>	<b>Business address</b>	<b>Other principal activities</b>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
SFM Directors (No.2) Limited	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
Claudia Wallace	35 Great St. Helen's London EC3A 6AP	Director of Structured Finance Management Limited

The Issuer has no employees.

## ATRATO ISSUER HOLDCO LIMITED (ISSUER HOLDCO)

### **Introduction**

Atrato Issuer Holdco Limited ("**Issuer Holdco**") was incorporated in England and Wales on 19 August 2009 (registered number 6995638) as a limited liability company under the Companies Act 2006. The registered office of Issuer Holdco is at 35 Great St. Helens, London EC3A 6AP. The telephone number of Issuer Holdco's registered office is +44 (0)20 7398 6300.

### **Principal activities**

The business of Issuer Holdco is to hold the share capital of the Issuer (directly and indirectly through its shareholding of Issuer Holdco Nominee).

### **Directors**

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

<b>Name</b>	<b>Business address</b>	<b>Other principal activities</b>
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
SFM Directors (No.2) Limited	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
Claudia Wallace	35 Great St. Helen's London EC3A 6AP	Director of Structured Finance Management Limited

The Issuer Holdco has no employees.

## THE TESCO ATRATO LIMITED PARTNERSHIP (THE PARTNERSHIP)

### **General**

The Tesco Atrato Limited Partnership (the "**Partnership**") was established in England and Wales as an English limited partnership under the terms of a short form partnership agreement dated 5 August 2009 as amended and restated prior to the Closing Date (the "**Partnership Agreement**") with a registered number of LP013577. The Partnership was established with two partners, the Tesco Limited Partner, as a limited partner, and the General Partner, as the general partner. The JPUT Limited Partner will become an additional limited partner on 14 September 2009. The Tesco Limited Partner and the JPUT Limited Partner each have an equal 49.95% partnership interest in the Partnership. The Tesco Limited Partner is indirectly wholly owned by Tesco. As at the Closing Date, the General Partner will be owned in equal shares by the JPUT Trustee and Tesco Property Holdings (No. 2) Limited and the General Partner has a 0.1% participation in the Partnership. The Partnership (acting by the General Partner) owns 100% of the issued share capital of each of Nominees Holdco and Depot Propco.

### **Summary of the Partnership Agreement**

#### **Purpose**

The purpose of the Partnership is to acquire and beneficially hold the Property Portfolio as an investment pursuant to clause 2.2 of the Partnership Agreement. The purpose of the Partnership may only be changed with the unanimous consent of the Limited Partners and the General Partner.

#### **Partnership interests**

As at the Closing Date, each Limited Partner will hold a participation in the Partnership comprising a capital contribution of £10,000 each and the General Partner will hold a participation in the Partnership comprising a capital contribution of £20. Any changes to participations in the Partnership will require unanimous consent.

Subject to obtaining the consent of the Limited Partners and to complying with the provisions of the Transaction Documents, the Partnership Operator may, for the purposes of financing Alterations, Substitution Disposals or Adjoining Land Developments in respect of the Mortgaged Properties, request each Limited Partner to make additional capital contributions and/or arrange borrowing on behalf of the Partnership from third parties or from members of the Tesco Group.

#### **Profits and distributions**

Distributions of amounts standing to the credit of the Partnership Distribution Account, after payment of interest and principal on the Partnership Loan and other amounts due on each Loan Interest Payment Date, will be made to the Partners quarterly. The Partnership Agreement provides that distributions will be applied, first, in repayment of any default loan (see below) and, secondly, in payment to the Partners as follows to each of the Partners in the following shares:

- (a) to each of the JPUT Limited Partner and the Tesco Limited Partner: 49.95%; and
- (b) to the General Partner: 0.1%,

although it is not expected that any distributions will be made throughout the life of the Partnership.

Where a Mortgaged Property is sold during the term of the Partnership Agreement (other than in connection with a substitution), the net realisation proceeds (after application of the disposal proceeds in accordance with the Transaction Documents) may, at the discretion of the Partnership Operator and subject to approval by the General Partner, not be distributed and may be retained by the Partnership for investment purposes.

### ***Management and operation***

The Partnership (acting by the General Partner) has appointed Maurant Fund Services (UK) Limited as the Partnership Operator to operate the Partnership and its assets, in accordance with the terms of the Partnership Operating Agreement and as described below. The Partnership Operator is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership Operator has the power and authority to monitor and enforce performance of all rights and obligations of the Partnership pursuant to the Partnership Transaction Documents. In addition, the Partnership Operator has all customary powers, where appropriate, to execute documents, pay fees, maintain bank accounts and delegate powers where appropriate, as specified in more detail in the Partnership Operating Agreement.

As at the Closing Date, the Partnership, acting by the General Partner, has appointed Spen Hill Management Limited as the Property Pool Manager, to provide advice in relation to the management of the Mortgaged Properties. The Property Pool Manager is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership, acting by the General Partner, will on the Closing Date also appoint Cushman & Wakefield LLP as Property Advisor. The Property Advisor is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership, acting by the Partnership Operator, will on the Closing Date also appoint HSBC Bank plc as the Cash Manager to provide cash management services in respect of the Partnership Accounts and the determinations and payments to be made on each Calculation Date and the related Loan Interest Payment Date.

The operation of the Partnership's day-to-day business is delegated to the Partnership Operator, the Cash Manager and the Property Pool Manager. The consent of the Partnership and the Partnership Security Trustee will be required for the removal of the existing Partnership Operator and the appointment of a new Partnership Operator, the appointment or removal of the Property Pool Manager or the Property Advisor, the Partnership Operator's proposed appointment of any professional advisors and the approval of any additional funding commitments which the Partnership is to undertake.

### ***Transfer of partnership interests***

The Tesco Limited Partner is entitled to transfer its interest in the Partnership to a third party subject to the undertaking given by Tesco to the Partnership Security Trustee to maintain a minimum indirect economic interest in the Partnership while any Bonds remain outstanding and to notifying the Rating Agencies.

Any proposed transfer by a Limited Partner is subject to a right of pre-emption in favour of the other Limited Partner. Any transfer by a Limited Partner of all of their interest in the Partnership must involve the concurrent transfer of that Limited Partner's interest in the General Partner.

The General Partner may not transfer its interest in the Partnership without the consent of the Partnership Security Trustee (where required by the Partnership Finance Documents) and the JPUT Limited Partner may not transfer its interest in the Partnership without the consent of the Tesco Limited Partner and the Partnership Security Trustee.

Under the Partnership Agreement (as amended on the Closing Date), the Tesco Limited Partner will have an option to acquire the JPUT Limited Partner's interest in the Partnership in year ten and at the end of the life of the Partnership at the option price. The option price in year ten will be determined in accordance with the Partnership Agreement, but shall be broadly equal to 50% of net asset value.

***Limited Partner event of default***

If a Limited Partner commits an event of default (as defined in the Partnership Agreement and including, *inter alia*, becoming insolvent, committing a material breach of the Partnership Agreement or relevant members of that Limited Partner's corporate group committing a material breach of the shareholders' agreement which regulates the operation of the General Partner (see below)), the other Limited Partner has the right to acquire the defaulting Limited Partner's partnership interest for an amount calculated in a similar manner to the option consideration referred to above.



## TESCO ATRATO (GP) LIMITED (THE GENERAL PARTNER)

### **General**

Tesco Atrato (GP) Limited (the "**General Partner**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969536. The registered office of the General Partner is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL, telephone number: 01992 632222.

### **Principal activity**

The principal objects of the General Partner are set out in clause 3 of its Memorandum of Association and include to act as the general partner of the Partnership and to conduct the business, affairs and management of the Partnership in accordance with the Partnership Agreement.

### **Ownership**

The authorised share capital of the General Partner is £10,000 divided into 5,000 A ordinary shares of £1 each and 5,000 B ordinary shares of £1 each. As at the Closing Date, the issued share capital of the General Partner will be 5,000 A ordinary shares held by Tesco Property Holdings (No.2) Limited and 5,000 B ordinary shares held by Consortium Nominees Holdings Limited.

### **Management**

The operation and management of the General Partner will be regulated by a shareholders agreement between Tesco Property Holdings (No.2) Limited, Consortium Nominees Holdings Limited and the General Partner dated on the Closing Date.

Each shareholder is entitled to appoint up to four directors to the board of the General Partner.

All matters to be decided by the General Partner will be by unanimous decision of the board of directors, which, to be quorate, must have at least one director appointed by each shareholder present. As referred to above, although the operation of the Partnership's day-to-day business is delegated to the Partnership Operator, the Property Pool Manager and the Cash Manager, certain matters will require the consent of the General Partner.

If a shareholder is subject to a material conflict of interest in respect of a matter to be decided by the board of the General Partner, such matter will be referred to a suitable conflict expert for determination.

## **TESCO ATRATO (1LP) LIMITED (THE TESCO LIMITED PARTNER)**

Tesco Atrato (1LP) Limited (the "**Tesco Limited Partner**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969529, established for the principal purpose of acting as the limited partner of the Partnership. The registered office of the Tesco Limited Partner is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. The Tesco Limited Partner is a wholly-owned indirect subsidiary of Tesco.

## **MOURANT PROPERTY TRUSTEES LIMITED (THE JPUT LIMITED PARTNER)**

Mourant Property Trustees Limited is the managing trustee of the Tesco Atrato Unit Trust (Mourant Property Trustees Limited acting in such capacity, being the "**JPUT Limited Partner**") which is a Jersey property unit trust constituted on 14 September 2009, the units of which shall, on the Closing Date, be ultimately owned by pension plan investors (the "**JV Investors**"). Mourant Property Trustees Limited is a Jersey limited company. The registered office of the JPUT Limited Partner is 22 Grenville Street, St Helier, Jersey JE4 8PX.

### **Transfer of units**

The JV Investors are entitled to transfer their units in the Unit Trust to a third party provided that, *inter alia*, the person is: (i) a person who is beneficially entitled to the income of the Unit Trust for UK tax purposes and whose usual place of abode is in the UK for UK tax purposes; (ii) the trustee of a registered pension scheme (acting in his capacity as trustee of such registered pension scheme); or (iii) a transparent entity for UK income tax purposes all of whose members fall within (i) or (ii) above.

## TESCO ATRATO (NOMINEE HOLDCO) LIMITED (NOMINEES HOLDCO)

### ***General***

Tesco Atrato (Nominee Holdco) Limited ("**Nominees Holdco**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969528. The registered office of Nominees Holdco is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL. Nominees Holdco is a wholly-owned subsidiary of the General Partner (who holds the entire issued share capital of Nominees Holdco on behalf of the Partnership).

### ***Principal activity***

The business of Nominees Holdco is to hold the share capital of Nominee (No.1) and Nominee (No.2).

### ***Management***

Nominees Holdco is managed by a board consisting of 7 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Nominees Holdco will be:

- Alistair Clark;
- Richard Brasher;
- David Potts;
- Eamonn O'Hare;
- Laurence McIlwee;
- Steven Scally;
- Vincent Rapley; and
- Secretary: Claudine O'Connor.

## TESCO ATRATO (NOMINEE 1) LIMITED (NOMINEE NO. 1)

### **General**

Tesco Atrato (Nominee 1) Limited ("**Nominee No. 1**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969540. The registered office of Nominee No. 1 is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Nominee No. 1 is a wholly-owned subsidiary of Nominees Holdco.

### **Principal activity**

The business of Nominee No. 1 is to hold the legal title to the Mortgaged Properties jointly with Nominee No. 2.

### **Management**

Nominee No. 1 is managed by a board consisting of 7 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Nominee No. 1 will be:

- Alistair Clark;
- Richard Brasher;
- David Potts;
- Eamonn O'Hare;
- Laurence McIlwee;
- Steven Scally;
- Vincent Rapley; and
- Secretary: Claudine O'Connor.

## TESCO ATRATO (NOMINEE 2) LIMITED (NOMINEE NO. 2)

### **General**

Tesco Atrato (Nominee 2) Limited ("**Nominee No. 2**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969540. The registered office of Nominee No. 2 is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Nominee No. 2 is a wholly-owned subsidiary of Nominees Holdco.

### **Principal activity**

The business of Nominee No. 2 is to hold the legal title to the Mortgaged Properties jointly with Nominee No. 1.

### **Management**

Nominee No. 2 is managed by a board consisting of 7 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors of Nominee No. 2 will be:

- Alistair Clark;
- Richard Brasher;
- David Potts;
- Eamonn O'Hare;
- Laurence McIlwee;
- Steven Scally;
- Vincent Rapley; and
- Secretary: Claudine O'Connor.

## **TESCO ATRATO DEPOT PROPCO LIMITED (DEPOT PROPCO)**

Tesco Atrato Depot Propco Limited ("**Depot Propco**") is a limited liability company incorporated in England and Wales on 22 July 2009 with company registration number 6969531. The registered office of Depot Propco is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL, As at the Closing Date, Depot Propco is a wholly-owned subsidiary of the General Partner (who holds the shares on behalf of the Partnership).

### ***Principal activity***

The business of Depot Propco is to hold a lease of the Livingston Distribution Centre.

### ***Management***

Depot Propco is managed by a board consisting of 6 directors, including two directors appointed by the Depot Propco Corporate Services Provider subject to and in accordance with the Depot Propco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Depot Propco will be:

- Alistair Clark;
- Lucy Neville-Rolfe;
- Jonathan Lloyd;
- Elma Morris;
- Steven Scally;
- Vincent Rapley; and
- Secretary: Helen O'Keefe.

## TESCO PLC (TESCO)

### **Introduction**

Tesco was incorporated on 27 November 1947 with limited liability in England and Wales with registered number 445790 and operates as a public limited company under the Companies Act 1985. The registered office of Tesco is located at Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

The objects of Tesco are set out in clause 4 of its memorandum of association and include carrying on the business of a holding company.

Tesco and its consolidated subsidiaries (the "**Group**") has operations in the United Kingdom and the Republic of Ireland, and also in Central Europe, Asia and, since November 2007, in the United States of America. Over the past fifteen years the Group has expanded its traditional supermarket base in the United Kingdom into twelve overseas markets and also into non-food and retailing services such as personal finance, catalogue and internet shopping as part of its strategy for growth.

Tesco is the overall holding company of the Group. As the holding company of the Group, Tesco is dependent on the performance of its operating subsidiaries and the payment of dividends by them.

As at 28 February 2009, the Group operated 4,332 stores with a total sales area of 88.451 million sq. ft.

For the 53 weeks ended 28 February 2009, Group sales (including value added tax) were £59.426 billion, an increase of 15.1 per cent.<sup>1</sup> over the previous 53 weeks, and underlying profit before taxation was £3.128 million<sup>2</sup>, an increase of 10 per cent. over the previous year. This was the ninth consecutive year of double digit profit growth.

### **Share capital**

Tesco's ordinary shares are admitted to the Official List of the London Stock Exchange and to trading on the regulated market of the London Stock Exchange. The market capitalisation of Tesco on the London Stock Exchange at the close of business on 27 February 2009 was £26.3 billion ranking it, as at that date, the largest quoted food retailer in the United Kingdom and one of Europe's 100 largest companies in terms of market capitalisation. The share capital of Tesco, as at the dates specified below, was as follows:

---

<sup>1</sup> These figures are for the 53 weeks ended 28 February for UK, Ireland and the United States and for the 52 weeks ended 28 February 2009 for the rest of the Group. This compares with the 52 weeks period ending 23 February 2009. Where appropriate, growth rates are provided on a comparable 52 weeks basis. Sales and profit growth is reported on a consistent basis (12 months versus 12 months) for China. Last year's numbers for Group, International and for Asia have been restated to reflect this change.

<sup>2</sup> Adjusted for IAS 32, IAS 39, the net difference between the IAS 19 Income Statement charge and 'normal' cash contributions for pensions, IAS 17 'Leases' (impact of annual uplifts in rent and rent-free periods), and the IFRS 3 amortisation charge on intangible assets arising on the acquisition of Tesco Personal Finance (TPF).



	At 28th February, 2009 £	At 23rd February, 2008 £
Authorised:		
10,858,000,000 ordinary shares of 5.0p each	542,900,000	542,900,000
Allotted, called up and fully paid: ordinary shares of 5.0p each	394,767,200	393,174,939

### ***United Kingdom core business***

As at 28 February 2009, the Group operated 2,282 stores in the United Kingdom. These range in formats from the Tesco Express convenience store and the Tesco Metro town and city centre store through to the Tesco Extra hypermarket (typically over 60,000 sq. ft.). Tesco also offers many non-food items online, via telephone and through selected stores under the Tesco Direct banner. During the financial year ended 28 February 2009, 187 new stores were opened.

United Kingdom sales (including value added tax) were £41.520 billion in the financial year ended 28 February 2009 (an increase of 9.5 per cent. over the previous year on a 53 week basis)<sup>3</sup>. The United Kingdom business contributed £2,381 million of trading profit, an increase of 10.7 per cent. over the previous year.

The Group is the leading food retailer in the United Kingdom in terms of market share (according to research carried out by Taylor Nelson Soffres).

### ***International business***

As at 28 February 2009, the international business represented 64.2 per cent. of the Group sales area and comprised 2,026 stores with a total selling space of 56.167 million sq. ft., in 12 countries.

The Group is the market leader in five countries outside the United Kingdom.

In the financial year ended 28 February 2009, sales (including value added tax) in Europe excluding the United Kingdom were £10,120 million, an increase of 29.1 per cent. over the previous year, and contributed operating (trading) profit of £496 million, representing profit growth of 24.9 per cent. As at 28 February 2009, the Group had 116 stores in the Republic of Ireland, 149 in Hungary, 319 in Poland, 113 in the Czech Republic, 70 in Slovakia and 96 in Turkey.

During the financial year ended 28 February 2009, sales (including value added tax) in Asia were £7,578 million, up 29.4 per cent. on the previous year and contributed operating (trading) profit of 355 million, an increase of 17.9 per cent. As at 28 February 2009, the Group's Asian business comprised 571 stores in Thailand, 242 in South Korea, 29 in Malaysia, 135 in Japan and 70 in China.

Since entering the US market in November 2007, the Group had 115 stores open by 28 February 2009 with some 1.150 million sq. ft. of selling space.

On 30 September 2008, the Group completed the acquisition of 36 Homever stores in South Korea from the E-land Group for a total consideration of just under £1 billion including existing debt and subject to certain post-closing adjustments.

<sup>3</sup> US segmental reporting of sales and trading results within International began with Tesco's Interim Results in September. For Preliminary Results for the period to 28 February 2009, sales and initial trading losses in the United States are reported within International for the first time. Last year's numbers, both for International and for the UK, have been restated to reflect this change.

The Group announced on 12 August 2008 the intention to develop a cash-and-carry business in India, with an external investment of up to £60 million in its first few years.

### ***Retailing services***

Tesco Personal Finance PLC ("**TPF**", formerly Tesco Personal Finance Limited) was formed in 1997 as a joint venture with The Royal Bank of Scotland plc ("**RBS**") and re-registered as a public limited company on 22 December 2008. Following approval by the FSA of the change of control, the Group acquired on 19 December 2008 from RBS the 50 per cent. shareholding it did not previously own for a consideration of £950 million.

TPF offers customers in the UK a range of personal financial services, including general insurance, credit cards, personal loans, personal savings products, on-line insurance comparison and a network of cash machines ("**ATMs**"); with over 2,700 ATMs. TPF has one of the largest networks of cash machines in the UK. These services are provided predominantly to individuals who are customers of the Group. Customers can purchase TPF's products in the Group's stores and over the internet at [www.tesco.com](http://www.tesco.com). TPF is subject to regulatory supervision by the FSA.

TPF's banking products include savings products (including Child Trust Funds and Tesco Instant Access Saver) and lending products (Tesco Loans and credit cards) and are sold by telephone, on the internet and by post.

In the UK, TPF has a major insurance business offering a range of general insurance products such as car, home, travel, breakdown and pet insurance together with personal protection insurance (covering accident, sickness, major illness and unemployment). TPF has recently announced its intention to form a new partnership with Fortis to provide motor and household insurance which will see customers benefit from the combined capabilities of both parties. Tesco will take greater control of pricing and the development of new products, while Fortis will bring considerable expertise on underwriting and claims management. The partnership involves over £500 million in annualised total Gross Written Premium (the "**GWP**") and is expected to grow. It could be underwriting new business and renewals from the second half of next year. TPF also acts as an introducer (through Tesco Mortgage Finder) to a mortgage advice service, and provides currency services.

TPF intends to develop its business by increasing its presence in the Group's traditional stores and broadening the range of products offered by it.

Tesco.com is the largest grocery e-tailer in the world, with over one million active customers and sales during the year ended 28 February 2009 of £1.9 billion.

Tesco Direct brings over 12,500 products online and 7,800 in the catalogue to consumers including homeware, furniture, toys, electronics and sporting goods. Customers can choose the product they want on a website or from a catalogue and can order online, by telephone or at Tesco Direct desks in selected stores.

### ***Capital expenditure***

During the financial year ended 28 February 2009 Group capital expenditure was £4.7 billion (compared to £3.9 billion in the financial year ended 23 February 2008). UK capital expenditure amounted to £2.6 billion. Total international capital expenditure was £2.1 billion, including £0.9 billion in Asia and £0.9 billion in Europe and £0.3 billion in the US.

## MOURANT FUND SERVICES (UK) LIMITED (THE PARTNERSHIP OPERATOR)

### ***General***

Mourant Fund Services (UK) Limited (the "**Partnership Operator**") is a private limited company incorporated in England and Wales on 5 January 2006 with company registration number 5666576. The registered office of the Partnership Operator is 1st Floor, Phoenix House, 18 King William Street, London EC4N 7BP.

### ***Principal activity***

The business of the Partnership Operator is establishing, operating or winding up an unregulated collective investment scheme. Its principal activity will be operating the Partnership.

## **STRUCTURED FINANCE MANAGEMENT LIMITED (THE CORPORATE SERVICES PROVIDER)**

Structured Finance Management Limited (registered number 3853947), having a place of business at 35 Great St Helen's, London EC3A 6AP will be appointed on the Closing Date to provide corporate services to the Issuer and Issuer Holdco pursuant to the Issuer/Issuer Holdco Corporate Services Agreement.

Structured Finance Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Issuer/Issuer Holdco Corporate Services Provider will be entitled to terminate its respective appointments under the Corporate Services Agreement on 90 days' written notice to the Issuer or Issuer Holdco respectively, the Issuer Security Trustee and each other party to the Issuer/Issuer Holdco Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Issuer/Issuer Holdco Corporate Services Agreement.

The Issuer Security Trustee can terminate the appointment of the Issuer/Issuer Holdco Corporate Services Provider on 90 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Issuer/Issuer Holdco Corporate Services Agreement.

In addition, the appointment of the Issuer/Issuer Holdco Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer Security Trustee, if the Issuer/Issuer Holdco Corporate Services Provider breaches its obligations under the terms of the Issuer/Issuer Holdco Corporate Services Agreement and/or certain insolvency related events occur in relation to the Issuer/Issuer Holdco Corporate Services Provider.



Cushman & Wakefield LLP  
43/45 Portman Square  
London  
W1A 3BG  
Tel 020 7935 5000  
Fax 020 7152 5360  
www.cushmanwakefield.com

## VALUATION REPORT

### Valuation Report

**Tesco Atrato (GP) Limited on behalf of The Tesco Atrato Limited Partnership ("Partnership")**

Tesco House  
Delamare Road  
Cheshunt  
Hertfordshire  
EN8 9SL

**Tesco Atrato (Nominee 1) Limited and Tesco Atrato (Nominee 2) Limited ("Nominees")**

Tesco House  
Delamare Road  
Cheshunt  
Hertfordshire  
EN8 9SL

**Goldman Sachs International ("Lead Manager and Sole Arranger")**

Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB

**Tesco Property Finance 2 Plc ("Issuer")**

35 Great St Helens  
London  
EC3A 3AP

**PORTFOLIO OF 15 SUPERSTORES & 2 DISTRIBUTION WAREHOUSES AS DESCRIBED IN THE SECTION ENTITLED PROPERTY SCHEDULE ('PROPERTIES')**

**THE TESCO ATRATO LIMITED PARTNERSHIP ('PARTNERSHIP')**

**Report Date:** 7th September 2009

**Valuation Date:** 7th September 2009



Cushman & Wakefield LLP is a limited liability partnership registered in England & Wales with registration number OC328588. The term partner is used to refer to a member of Cushman & Wakefield LLP or an employee or consultant with equivalent standing and qualifications. A list of members of the LLP is open to inspection at our registered office at 43/45 Portman Square, London, W1A 3BG. Regulated by the Royal Institution of Chartered Surveyors.

## 1. Instructions

### Appointment

We are instructed to prepare this valuation of the Properties by the Partnership for inclusion in the Offering Circular to be published in connection with an issue of Bonds by the Issuer and the making of a secured loan by the Issuer to the Partnership (the "**Transaction**"). The Properties and interests valued are summarised in the section entitled Property Schedule. We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

The valuation has been carried out in accordance with instructions confirmed in our letter sent on 30 June 2009. Our Terms and Conditions of Appointment (December 2008) ('Terms and Conditions') have been forwarded to you with our letter confirming instructions.

## 2. Background to the Valuation

The portfolio comprises a group sale and leaseback of 15 Tesco superstores and 2 distribution warehouses (together the "**Properties**") which are owned in a joint venture partnership between certain pension plan investors and Tesco known as The Tesco Atrato Limited Partnership.

The Properties are generally held for terms of 999 years (175 years for the Scottish properties) except for Burnley which is held on an existing head lease granted on 16 October 2006 with an unexpired term of 996 years which will be assigned to the Partnership. The Properties are subject either to leases to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited who hold the properties on trust for Tesco Stores Limited, or for those at Coventry, Greenock, Pembroke Dock and Livingston to Tesco Stores Limited, in each case guaranteed by Tesco Plc. The occupational leases are for terms of 30 years commencing on the date of grant and expiring 24 December 2039.

We understand our valuation is required for inclusion in the Offering Circular to be published in connection with an issue of Bonds by the Issuer and in respect of a secured loan by the Issuer to the Partnership.

### Bases of Valuation

The valuation and report has been prepared in accordance with the relevant provisions of the UKLA Listing Rules issued by the FSA and in accordance with the RICS Valuation Standards, 6th Edition as amended (the "**Red Book**") by a valuer acting as an Independent Valuer, as defined within the Red Book. We confirm that the valuer conforms to the stipulated requirements.

We have provided our opinion of Market Rent and Market Value for the Properties in accordance with the following definitions:

## Market Value

As instructed, and in accordance with the requirements of the Red Book, we have prepared a valuation of the long leasehold interests held in the Properties in their existing state, on the basis of Market Value, defined in the Red Book as:

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

## Market Rent

Our opinion of Market Rent has been given in accordance with the provisions of the Red Book, defined therein as:

"The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion."

### **3. Assumptions, Departures and Reservations**

We have prepared our valuation on the basis of the assumptions detailed within our Terms and Conditions of Appointment.

Your instructions have required us to make special assumptions in respect of the valuations assuming vacant possession as further described in the Valuation summary schedule in the section entitled Schedule of Values and as recited when providing our opinion of value on the various bases specified.

The Glossary within the Red Book defines a Special Assumption as an assumption that either:

- requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or
- is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

You should note that if the Special Assumptions above were not adopted there could be a material difference in value.

We have made no Departures from the Red Book. Our valuation is made without any reservations or special instructions.

### **4. Inspection**

The Properties were inspected during the last 12 months.

We have not measured the Properties and as instructed have relied on the floor areas supplied by G L Hearn who were instructed by the Partnership to reference each property. We have assumed that these have been calculated in accordance with The Code of

Measuring Practice (Sixth Edition) prepared by the Royal Institution of Chartered Surveyors. Should these areas prove to be incorrect or incomplete then the accuracy of our valuation may be affected.

## **5. Sources of Information**

We have based our valuation on our inspection of the Properties and the information which either the Partnership or its advisors have supplied to us or which we have obtained from our enquiries. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation. We have not had access to Title Deeds or Leases.

We set out in the section entitled Information Supplied a summary of information regarding tenure, tenancies, planning consents, structural surveys, environmental reports, plans, floor areas etc supplied to us and taken into account in preparing this valuation.

## **6. General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

We also recommend that no disposal of the Properties should be undertaken without proper exposure to the market.

### **Market uncertainty**

Where uncertainty could have a material effect on an opinion of value, the Red Book requires the valuer to draw attention to this, indicating the cause of the uncertainty and the degree to which this is reflected in the valuation reported.

The global banking crisis and consequent reduction in the availability of debt, coupled with the economic downturn, have caused UK property values to experience sharp falls in value and liquidity, with fewer transactions being completed.

Although some recent transactions could be considered distressed, it is inappropriate to conclude that all recent market activity represents forced transactions. An imbalance between supply and demand (for example, fewer buyers than sellers) is not always a determinant of a forced transaction. A seller might be under financial pressure to sell, but it is still able to sell at a market price if there is more than one potential buyer in the market and a reasonable amount of time is available for marketing. Similarly, transactions initiated during bankruptcy should not automatically be assumed to be forced.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgement must therefore be applied.



We have therefore endeavoured to reflect current market sentiment, although the signals are mixed. Some commentators are saying that any vendor in this market is a distressed one and therefore the prices achieved are not representative of those that would be achieved in a stabilised market. Others suggest that the prospects for UK real estate are not adversely affected, especially for those properties producing long term secure cash flows and that demand still exists from cash buyers, such as life funds and sovereign wealth funds, which are not reliant upon debt. However, all commentators agree that there are fewer purchasers than in the past and that those who are in the market are taking advantage of vendors, who are presumed to have to sell.

We strongly recommend that you keep the valuation of the Properties under review. You should also anticipate a longer marketing period than would previously have been expected in the event that any of the Properties are offered for sale.

#### General Provisions

Our opinion of Market Value has been provided having allowed for purchaser's costs at 5.725% of the consideration.

The purpose of the valuation does not alter the approach to the valuation.

We have not been instructed to value the benefit or detriment of any contractual arrangements or the benefit in any options held in respect of any of the Properties.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

## 7. Valuation

We set out the Market Rent and Market Value ascribed to each property in the section entitled Schedule of Values of this report. We have included details of the Properties in the section entitled Property Schedule.

We have reported below the aggregated figures of the individual values for each property in the portfolio. If the portfolio was to be sold as a single lot or in groups of properties, the total value could differ significantly.

#### Market Rent

Subject to the foregoing, and based on values current as at the valuation date, we are of the opinion that the Market Rent of the Properties, as described in the section entitled Property Schedule, is the total sum of:

**£29,565,550**

**(Twenty Nine Million, Five Hundred and Sixty Five Thousand, Five Hundred and Fifty Pounds)**

#### Market Value assuming the occupational leases have been granted

As instructed, we have valued on the special assumption the leases set out in the property details have been completed.

Our opinion of the market value of the long leasehold interests in the Properties, as described in the section entitled Property Schedule, is the total sum of:

**£514,540,000**

**(Five Hundred and Fourteen Million, Five Hundred and Forty Thousand Pounds)**

**Market Value assuming full vacant possession**

As instructed, we have valued on the special assumption the Properties, as described in the section entitled Property Schedule, are available with full vacant possession.

Our opinion of the Market Value of the long leasehold interests in the Properties is the total sum of:

**£379,970,000**

**(Three Hundred and Seventy Nine Million, Nine Hundred and Seventy Thousand Pounds)**

**8. Valuation for a Regulated Purpose**

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

The valuation was prepared by Mr D V Tittle FRICS and reviewed by Mr R N H Dodson FRICS. The signatories to this report have not previously been signatory to valuations addressed to you for the same purpose.

Cushman & Wakefield LLP has no other material relationship with you. In our most recent financial year, Cushman & Wakefield LLP received less than 5% of its total fee income from you.

Signed for and on behalf of Cushman & Wakefield LLP

**Rupert Dodson FRICS**

Partner

+44 (0)20 7152 5042

[rupert.dodson@eur.cushwake.com](mailto:rupert.dodson@eur.cushwake.com)

**David Tittle FRICS**

Partner

+44 (0)20 7152 5154

[david.tittle@eur.cushwake.com](mailto:david.tittle@eur.cushwake.com)

## Schedule of Values

<b>TESCO – GOLD 2 PORTFOLIO</b>		<b>Costs</b>		<b>5.725%</b>
<b>LOCATION (Town/City)</b>	<b>Rental Income</b>	<b>Market Rent</b>	<b>Market Value</b>	<b>Market Value VP</b>
BECCLES	£1,003,534	£1,017,280	£18,280,000	£13,770,000
BURNLEY EXTRA	£2,871,671	£2,871,670	£52,640,000	£39,030,000
BURSCOUGH BRIDGE	£738,252	£718,300	£13,410,000	£9,730,000
CANNOCK	£1,492,412	£1,492,410	£27,360,000	£20,280,000
CLOWNE	£1,051,098	£1,051,100	£19,030,000	£14,200,000
COVENTRY WALSGRAVE	£1,268,687	£1,268,690	£23,260,000	£17,240,000
DEYSBROOK BARRACKS	£925,533	£925,530	£16,910,000	£12,540,000
GREENOCK EXTRA	£2,227,299	£2,227,300	£40,570,000	£30,180,000
HEXHAM	£1,991,328	£1,982,370	£36,260,000	£26,860,000
MERTHYR STN YARD EXTRA	£1,887,182	£1,887,180	£34,490,000	£25,570,000
OBAN	£1,152,608	£1,152,610	£20,930,000	£15,570,000
PEMBROKE DOCK	£1,144,297	£1,160,880	£20,810,000	£15,690,000
PORTHMADOG	£635,870	£603,260	£11,520,000	£8,170,000
SOUTH WIGSTON	£1,811,381	£1,752,950	£33,200,000	£23,930,000
UTTOXETER	£1,066,948	£1,096,590	£19,380,000	£14,820,000
LIVINGSTON DC	£4,920,283	£4,922,460	£74,450,000	£54,390,000
MAGOR DC	£3,435,073	£3,434,970	£52,040,000	£38,000,000
<b>TOTALS</b>	<b>£29,623,456</b>	<b>£29,565,550</b>	<b>£514,540,000</b>	<b>£379,970,000</b>

## Property Schedule

Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.725% £
TESCO SUPERSTORE George Westwood Way BECCLES SUFFOLK NR34 9QH	<p>Edge of town centre foodstore with a gross internal floor area of 4,526.5 m<sup>2</sup> (48,722 ft<sup>2</sup>) with 338 parking spaces and a PFS.</p> <p>Site area approx. 2.8 hectares (6.92 acres).</p> <p>Built in 2005.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,003,534	£1,017,280	£18,280,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO EXTRA Centenary Way BURNLEY LANCASHIRE BB11 2HE	<p>Out of town foodstore with a gross internal floor area of 12,365.4 m<sup>2</sup> (133,102 ft<sup>2</sup>) with 553 parking spaces and a PFS.</p> <p>Site area approx. 2.69 hectares (6.64 acres).</p> <p>Built in 2003 and extended in 2008.</p> <p>Leasehold: 999 years from 16 October 2006 at a rent of £2, fixed throughout the term and a supplemental lease of 999 years from 16 October 2006 of the petrol filling station at the Property at a rent of £2 fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£2,871,671	£2,871,670	£52,640,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
<p>TESCO SUPERSTORE Station Approach Liverpool Road North BURSCOUGH BRIDGE ORMSKIRK LANCASHIRE L40 0SA</p>	<p>Town centre foodstore with a gross internal floor area of 3,537.9 m<sup>2</sup> (38,081 ft<sup>2</sup>) with 238 parking spaces.</p> <p>Site area approx. 1.2 hectares (2.97 acres).</p> <p>Built in 2005.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£738,252	£718,300	£13,410,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
<p>TESCO SUPERSTORE Heath Hayes District Centre CANNOCK STAFFORDSHIRE WS12 3YY</p>	<p>Edge of town centre foodstore with a gross internal floor area of 5,720.5 m<sup>2</sup> (61,575 ft<sup>2</sup>) with 411 parking spaces and a PFS.</p> <p>There are 8 unit shops adjoining the store with a gross internal floor area of 1,080.9 m<sup>2</sup> (11,634 ft<sup>2</sup>).</p> <p>Site area approx 2.3 hectares (5.68 acres).</p> <p>Built in 1985 and occupied by Tesco in 1999.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,492,412	£1,492,410	£27,360,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Mill Street CLOWNE CHESTERFIELD DERBYSHIRE S43 4JN	<p>Town centre foodstore with a gross internal floor area of 4,974.0 m<sup>2</sup> (53,540 ft<sup>2</sup>) with 331 parking spaces and a PFS.</p> <p>Site area approx 2.45 hectares (6.05 acres).</p> <p>Built in 2003.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,051,098	£1,051,100	£19,030,000



<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
<p>TESCO SUPERSTORE Clifford Bridge Road COVENTRY (WALSGRAVE) WEST MIDLANDS CV2 2TS</p>	<p>Out of town centre foodstore with a gross internal floor area of 5,321.1 m<sup>2</sup> (57,275ft<sup>2</sup>) with 415 parking spaces and a PFS.</p> <p>Site area approx 3.18 hectares (7.86 acres).</p> <p>Built in 1995.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,268,687	£1,268,690	£23,260,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Deysbrook Lane WEST DERBY LIVERPOOL L12 8RF	<p>Out of town centre foodstore with a gross internal floor area of 3,543.8 m<sup>2</sup> (38,145 ft<sup>2</sup>) including a standby generator unit of 6.2 m<sup>2</sup> (67 ft<sup>2</sup>). There are 259 parking spaces. The property includes an adjoining unit with a gross internal floor area of 1,420.2 m<sup>2</sup> (15,287 ft<sup>2</sup>).</p> <p>Site area approx 2.46 hectares (6.08 acres).</p> <p>Built in 2006.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£925,533	£925,530	£16,910,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Dalrymple Street GREENOCK INVERCLYDE PA15 1LE	<p>Town centre foodstore with a gross internal floor area of 11,207.6 m<sup>2</sup> (120,639 ft<sup>2</sup>) including a canopy of 125.5 m<sup>2</sup> (1,351 ft<sup>2</sup>). There are 450 parking spaces and a PFS.</p> <p>Site area approx 2.64 hectares (6.523 acres).</p> <p>Built in 1991 and extended recently with car park deck added.</p> <p>Leasehold: 175 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£2,227,299	£2,227,300	£40,570,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO EXTRA Alemouth Road HEXHAM NORTHUMBERLAND NE46 3PJ	<p>Edge of town centre foodstore with a gross internal floor area of 8,681 m<sup>2</sup> (93,443 ft<sup>2</sup>) with 504 parking spaces.</p> <p>The property includes a separate retail unit with a gross internal floor area of 3,192 m<sup>2</sup> (34,354 ft<sup>2</sup>) which pre-dated the development of the Tesco store.</p> <p>Site area approx. 3.57 hectares (8.82 acres).</p> <p>The Tesco store was developed from an existing store 2005.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,991,328	£1,982,370	£36,260,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Station Yard, Tramroad Side North MERTHYR TYDFIL WALES CF47 0AP	<p>Edge of town centre foodstore with a gross internal floor area of 9,235.0 m<sup>2</sup> (99,406 ft<sup>2</sup>) with 412 parking spaces.</p> <p>Site area approx 1.59 hectares (3.93 acres).</p> <p>Built in 2003 extended in 2008 with car park deck added.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,887,182	£1,887,180	£34,490,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Lochside OBAN PA34 4HP	<p>Edge of town centre foodstore with a gross internal floor area of 5,164.9 m<sup>2</sup> (55,595ft<sup>2</sup>) including a canopy of 28.7 m<sup>2</sup> (308 ft<sup>2</sup>). There are 161 parking spaces and a PFS.</p> <p>The property includes a separate office building which is entirely sub-underlet.</p> <p>Site area approx 2.85 hectares (7.05 acres).</p> <p>Built in 1997.</p> <p>Leasehold: 175 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,152,608	£1,152,610	£20,930,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE London Road PEMBROKE DOCK PEMBROKESHIRE SA72 6DS	<p>Edge of town centre foodstore with a gross internal floor area of 5,609.7 m<sup>2</sup> (60,382 ft<sup>2</sup>) with 363 parking spaces and a PFS.</p> <p>Site area approx 2.14 hectares (5.29 acres).</p> <p>Built in 1999 and extended in 2008.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,144,297	£1,160,880	£20,810,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE High Street PORTHMADOG GWYNEDD LL49 9NU	<p>Town centre foodstore with a gross internal floor area of 2,883.7 m<sup>2</sup> (31,041 ft<sup>2</sup>) including a canopy of 74.8 m<sup>2</sup> (805 ft<sup>2</sup>). There are 238 parking spaces and a PFS.</p> <p>Site area approx 1.55 hectares (3.83 acres).</p> <p>Built in 2003.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£635,870	£603,260	£11,520,000



<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Blaby Road SOUTH WIGSTON LEICESTERSHIRE LE18 4SE	<p>Edge of town centre foodstore with a gross internal floor area of 6,737.1 m<sup>2</sup> (72,518 ft<sup>2</sup>) with 487 parking spaces and a PFS.</p> <p>Site area approx 3.1 hectares (7.66 acres).</p> <p>Built in 2005.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£1,811,381	£1,752,950	£33,200,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO SUPERSTORE Brookside Road UTTOXETER STAFFORDSHIRE ST14 8AU	Edge of town centre foodstore with a gross internal floor area of 5,024.2 m <sup>2</sup> (54,080 ft <sup>2</sup> ) with 373 parking spaces and a PFS.  Site area approx 2.28 hectares (5.63 acres).  Built in 1998 and extended in 2007.  Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and 3 months expiring 24 December 2039.  The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first 3 years and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.  The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.	£1,066,948	£1,096,590	£19,380,000

Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.725% £
TESCO LIVINGSTON REGIONAL DISTRIBUTION CENTRE Carnegie Road LIVINGSTON EH54 8TB	<p>Distribution warehouse facility comprising a purpose built distribution unit, part at ambient temperature with a section for chilled storage. There are two detached units used for recycling/pallet washing and vehicle maintenance purposes. The total gross internal floor area of 93,138.0 m<sup>2</sup> (1,002,538 ft<sup>2</sup>).</p> <p>Site area approx. 42.73 hectares (105.6 acres) and site cover is approx. 22%.</p> <p>Built in 2007.</p> <p>Leasehold: 175 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term expiring on 17 November 2032 (the "<b>Original Lease</b>") together with 2 one day licences to occupy on 18 and 19 November 2032 at the pro rata annual rent of the Original Lease prior to its expiry and an overriding lease of 30 years and 3 months granted before the date of closing of this transaction and expiring on 24 December 2039 at an annual rent of £1 until 18 November 2032 and from 19 November 2032 the amount payable under the Original Lease until its expiry.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first year and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£4,920,283	£4,922,460	£74,450,000

<b>Property</b>	<b>Description, Age and Tenure</b>	<b>Tenancy</b>	<b>Current Income £ per annum</b>	<b>Market Rent £ per annum</b>	<b>Market Value costs @ 5.725% £</b>
TESCO DISTRIBUTION CENTRE Barelands Street MAGOR CALDICOT NP26 3TS	<p>Distribution warehouse facility comprising a purpose built distribution unit. The total gross internal floor area of 61,769.5 m<sup>2</sup> (664,884 ft<sup>2</sup>); this includes canopies/open sided buildings totalling 1,713.7 m<sup>2</sup> (18,447 ft<sup>2</sup>).</p> <p>Site area approx. 15.8 hectares (39 acres) and site cover is approx. 39%.</p> <p>Built in 1994.</p> <p>Leasehold: 999 years from closing of the transaction at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 30 years and 3 months expiring 24 December 2039.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 29 September 2010 linked to the Retail Prices Index. The review is upward only subject to a minimum annual increase of 2.5% and a maximum annual increase of 5% regardless of actual RPI rises for the first year and to a minimum annual increase of 0% and a maximum annual increase of 5% regardless of actual RPI rises thereafter.</p> <p>The Tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£3,435,073	£3,434,970	£52,040,000

## Information Supplied

We have been supplied with the following information:

<b>Source</b>	<b>Document</b>	<b>Date</b>
G L Hearn	Floor Area Data Capture Reports	August 2007 – November 2008
Berwin Leighton Paisner LLP	The City of London Law Society Land Law Committee Long Form Certificate of Title (sixth Edition 2007):	September 2009
Semple Fraser LLP	Certificates of Title based on CLLS 6th Edition	September 2009
Tuffin Ferraby Taylor LLP	Building Inspection Reports prepared for Tesco	August 2008 – July 2009
ENVIRON UK Ltd	Phase I Environmental Review	September 2008 – August 2009

## PROVISIONS RELATING TO BONDS WHILST IN GLOBAL FORM

The Bonds will initially be in the form of a temporary global bond (the "**Temporary Global Bond**"), which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be exchangeable in whole or in part for interests in a permanent global bond (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, the "**Global Bonds**" and each a "**Global Bond**") on a date not earlier than 40 days after the Closing Date (the "**Exchange Date**") upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Bond will become exchangeable in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of £50,000 and higher integral multiples of £1,000 up to and including £99,000 each at the request of the bearer of the relevant Permanent Global Bond against presentation and surrender of such Permanent Global Bond to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs (i) 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 does in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence or (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Bond Interest Payment Date be required to make any withholding or deduction from any payment in respect of the Bonds for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority (other than by reason of the relevant holder having some connection with the United Kingdom, other than the holding of the Bonds) or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Bonds were in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Bond Trustee.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond, against the surrender of the Permanent Global Bond at the specified office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Conditions as they apply to the Temporary Global Bond and the Permanent Global Bond. A summary of certain of those provisions is set out below:

### **Payments**

All payments in respect of the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Permanent Global Bond at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds.

**Notices**

Notwithstanding Condition 15 (Notices to the Bondholders), while all the Bonds are represented by the Permanent Global Bond and the Permanent Global Bond is deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg rather than by publication in accordance with Condition 15 (Notices to the Bondholders), for so long as the Bonds are listed on the Irish Stock Exchange, and the rules of the Irish Stock Exchange so permit. Such notices shall be deemed to have been given to the Bondholders in accordance with Condition 15 (Notices to the Bondholders) on the date of delivery to Euroclear and Clearstream, Luxembourg.

**Meetings**

The holder of a Global Bond will be deemed to be two persons for the purpose of forming a quorum at a meeting of Bondholders.

## TERMS AND CONDITIONS OF THE BONDS

*The following are the Terms and Conditions of the Bonds in the form (subject to amendment) in which they will be set out in the Trust Deed (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly). The Conditions will apply to the Bonds whether they are in definitive or in global form.*

The £564,500,000 Secured 6.0517 per cent. Bonds due 13 October 2039 (the "**Bonds**") of Tesco Property Finance 2 Plc (the "**Issuer**"), issued on or about 23 September 2009 (the "**Closing Date**") are constituted in accordance with the trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Closing Date and made between the Issuer and the Bond Trustee, which expression includes its successor or any further or other trustee under the Trust Deed as trustee for the holders for the time being of the Bonds (the "**Bondholders**").

Any reference to Bonds in these Conditions shall include the Global Bonds and the Definitive Bonds (each as defined below). In addition, any reference in these Conditions to "**Bondholder**" shall be a reference to the holders of the Bonds.

The security for the Bonds is created pursuant to, and on terms set out in, the deed of charge and assignment (the "**Issuer Deed of Charge**", which expression includes such 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 Closing Date and made between, *inter alios*, the Issuer and HSBC Corporate Trustee Company (UK) Limited (the "**Issuer Security Trustee**", which expression includes any successor appointed under to the Issuer Deed of Charge).

By an agency agreement to be dated the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer, HSBC Corporate Trustee Company (UK) Limited (the "**Bond Trustee**"), HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed in respect of the Bonds) and any such additional or other paying agents, if any, appointed from time to time in respect of the Bonds pursuant to the Agency Agreement, the "**Paying Agents**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Bonds.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the master definitions and construction schedule (the "**Issuer Master Definitions and Construction Schedule**") signed by, *inter alios*, the Issuer, the Principal Paying Agent, the Bond Trustee and the Issuer Security Trustee on or about the Closing Date.

Copies of the Trust Deed, the Agency Agreement, the Cash Management Agreement, the Issuer Deed of Charge and the Issuer Master Definitions and Construction Schedule (as defined below) are available for inspection by the Bondholders at the specified offices of the Paying Agents. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the Issuer Master Definitions and Construction Schedule.



Capitalised terms not otherwise defined in these Conditions shall have the meanings given to them in the Issuer Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Issuer Master Definitions and Construction Schedule.

The credit ratings assigned by each of Moody's Investors Service Limited ("**Moody's**"), Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**") and, together with Moody's and S&P, the "**Rating Agencies**") are not recommendations to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. By acquiring the Bonds, investors will be deemed to acknowledge and agree that a credit rating is an assessment of credit and does not address other matters that may be of relevance to Bondholders, including, without limitation, whether any action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not materially prejudicial to the interests of, some or all of the Bondholders.

## **1. Form, Denomination and Title**

1.1 The Bonds are initially represented by a temporary global bond (the "**Temporary Global Bond**") in bearer form in the aggregate principal amount on issue of £564,500,000. The Temporary Global Bond will be deposited on behalf of the subscribers of the Bonds with a common depository (the "**Common Depository**") for Clearstream, Luxembourg, société anonyme ("**Clearstream Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") and, together with Clearstream, Luxembourg, the "**Clearing Systems**") on or about the Closing Date. Upon deposit of the Temporary Global Bond, Clearstream, Luxembourg or Euroclear (as the case may be) will credit each subscriber of the Bonds with the principal amount of Bonds equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Bond are exchangeable on or after the date which is 40 days after the Closing Date (the "**Exchange Date**"), provided certification of non-U.S. beneficial ownership by the relevant Bondholders has been received, for interests in a permanent global bond (the "**Permanent Global Bond**") in bearer form (which will also be deposited with the Common Depository) representing the Bonds. The expressions "**Global Bonds**" and "**Global Bond**" mean, respectively (i) the Temporary Global Bond and the Permanent Global Bond or (ii) the Temporary Global Bond or Permanent Global Bond, as the context may require. On the exchange of the Temporary Global Bond for the Permanent Global Bond, the Permanent Global Bond will remain deposited with the Common Depository. Title to the Global Bonds will pass by delivery. The Permanent Global Bond will only be exchangeable for Definitive Bonds in certain limited circumstances described below.

For so long as any Bonds are represented by a Global Bond, interests in such Bonds will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

For so long as the Bonds are represented by a Global Bond and the Clearing Systems so permit, the Bonds will be tradeable only in the minimum authorised denomination of £50,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Bonds (as defined below) will be issued with a denomination above £99,000.

1.2 If, while the Bonds are represented by the Permanent Global Bond, (i) either of the Clearing Systems 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 does in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence or (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Bond Interest Payment Date be required to make any withholding or deduction from any payment in respect of the Bonds for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority (other than by reason of the relevant holder having some connection with the United Kingdom, other than the holding of the Bonds) or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Bonds were in definitive form ("**Definitive Bonds**") and a certificate to such effect signed by two directors of the Issuer is given to the Bond Trustee, then the Issuer will issue Definitive Bonds in exchange for the Permanent Global Bond on the later of the Exchange Date and the day falling 30 days after the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Bond Trustee and the Issuer Security Trustee may require to take account of the issue of Definitive Bonds.

- 1.3 Definitive Bonds, if issued, will only be printed and issued in denominations of £50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000. No Definitive Bonds will be issued with a denomination above £99,000. Such Bonds will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.
- 1.4 "**Bondholders**" means each person (other than the Clearing Systems themselves) who is for the time being shown in the records of the Clearing Systems as the holder of a particular Principal Amount Outstanding (as defined in Condition 5.5 (Redemption, Purchase and Cancellation – Principal Amount Outstanding)) of the Bonds (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of the Bonds standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Bonds for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and for which purpose "**Bondholders**" means the bearer of the relevant Global Bond and related expressions shall be construed accordingly.

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

### **2.1 Status and relationship between the Bonds**

- (a) The Bonds constitute direct, secured and limited recourse obligations of the Issuer. The Bonds rank *pari passu* and *pro rata* without preference or priority amongst themselves.
- (b) The Trust Deed contains provisions requiring the Bond Trustee to have regard to the interests of the Bondholders equally, as a single class, as regards all rights, powers, trusts, authorities, duties and discretions of the Bond Trustee.

## **2.2 Relationship between the Bond Trustee, the Issuer Security Trustee and the Partnership Security Trustee**

Subject to the terms of the Issuer Deed of Charge and the Trust Deed, the Bond Trustee has the exclusive right, power and authority to direct, or refrain from directing, the Issuer Security Trustee in the exercise of the Issuer Security Trustee's rights to enforce the Issuer Deed of Charge or to direct the Partnership Security Trustee in the exercise of the Partnership Security Trustee's rights to enforce the Partnership Security Documents and in the exercise, or direction of the exercise, of certain other of its, the Issuer Security Trustee's or the Partnership Security Trustee's, as the case may be, rights under the Transaction Documents.

## **2.3 Relationship between the Issuer Security Trustee and the Partnership Security Trustee**

Subject to the terms of the Issuer Deed of Charge and the Partnership Security Documents, the Issuer Security Trustee (as assignee of the assigned rights under the Partnership Security Documents) has the exclusive right, power and authority to direct, or to refrain from directing, the Partnership Security Trustee in the exercise of the Partnership Security Trustee's rights to enforce the Partnership Security Documents and in the exercise of certain other of its rights in respect of the Partnership Loan Agreement and the other Partnership Transaction Documents.

## **2.4 Security**

- (a) The security constituted by or pursuant to the Issuer Security Documents is granted to the Issuer Security Trustee, on trust for the Bondholders and certain other creditors of the Issuer, upon and subject to the terms and conditions thereof.
- (b) The Bondholders will share in the benefit of the security constituted by or pursuant to the Issuer Security Documents, upon and subject to the terms and conditions thereof.

## **3. Covenants**

### **3.1 General covenants**

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

- (a) **Negative pledge**

create or permit to subsist any encumbrance or security interest whatsoever (unless arising by operation of law) over any of its assets or undertaking, present or future (including any uncalled capital);

(b) **Restrictions on activities**

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage;
- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises; or
- (iii) acquire any leasehold, freehold or heritable property;

(c) **Disposal of assets**

use, invest, transfer, convey, 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 (including any uncalled capital) or any interest, estate, right, title or benefit therein, present or future;

(d) **Dividends or distributions**

pay any dividend or make any other distribution to its shareholders (except as may be required to comply with paragraph 11 of the Taxation of Securitisation Companies Regulations 2006 or to enable Issuer Holdco to repay the Issuer/Issuer Holdco Corporate Service Provider the money advanced to it) or issue any further shares;

(e) **Borrowings**

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Bonds, 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) **No variation or waiver**

permit the validity or effectiveness of any of the Issuer Transaction Documents, or the priority of the security interests created or evidenced thereby or pursuant thereto, 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, these Conditions, the Trust Deed or any of the other Issuer Transaction Documents, or permit any party to any of the Issuer Transaction 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;

(h) **Bank accounts**

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

(i) **Tax residence**

do any act or thing, the effect of which would be to make the Issuer resident for Tax purposes in any jurisdiction other than the United Kingdom;

(j) **Group payment arrangements**

enter into arrangements with any other company or companies and/or any Tax Authority providing for the discharge of any other company's Tax liability by it; and

(k) **Additional issuances**

issue any further bonds, replacement bonds or new bonds or any other securities, debentures or any similar instruments.

### **3.2 Separateness covenants**

Save with the prior written consent of the Bond Trustee, or unless otherwise permitted under any of the Transaction Documents, the Issuer shall, so long as any Bond remains outstanding:

- (a) maintain its books and records, accounts and financial statements separate from any other person or entity and use separate stationery, invoices and cheques;
- (b) hold itself out as a separate entity, conduct its business in its own name and maintain an arm's length relationship with its affiliates (if any);
- (c) pay its own liabilities out of its own funds;
- (d) not commingle its assets with those of any other entity; and
- (e) observe all formalities required by its Memorandum and Articles of Association.

## **4. Interest**

### **4.1 Period of accrual**

The Bonds bear interest on their Principal Amount Outstanding from (and including) the Closing Date. Each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) 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 or decree) at the rate applicable to such Bond up to (but excluding) the date on which, on presentation of such Bond, 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 (in accordance with Condition 15 (Notices to the Bondholders)) 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.

### **4.2 Bond Interest Payment Dates and Bond Interest Periods**

The Bonds bear interest on their respective Principal Amount Outstanding from and including the Closing Date at the rate of 6.0517 per cent. per annum, payable quarterly in arrear on 13 January, 13 April, 13 July and 13 October (each a "**Bond Interest Payment**

**Date**") in respect of the Bond Interest Period (as defined below) ended immediately prior thereto. The first Bond Interest Payment Date shall be due on 13 January 2010. The period from (and including) the Closing Date to (but excluding) the first Bond Interest Payment Date and each successive period from (and including) a Bond Interest Payment Date to (but excluding) the next succeeding Bond Interest Payment Date is called a "**Bond Interest Period**".

#### **4.3 Calculation of Interest Amounts**

Interest in respect of the Bonds shall be calculated by applying the relevant rate of interest to the aggregate Principal Amount Outstanding of the Bonds and on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Bond Interest Payment Date multiplied by four.

The resulting figure shall be rounded downwards to the nearest penny.

### **5. Redemption, Purchase and Cancellation**

#### **5.1 Final redemption**

Unless previously redeemed in full as provided in this Condition 5 (Redemption, Purchase and Cancellation) the Issuer shall redeem the Bonds at their Principal Amount Outstanding on the Bond Interest Payment Date falling on 13 October 2039 (the "**Final Maturity Date**"), together (if applicable) with accrued but unpaid interest on their Principal Amount Outstanding up to but excluding the Final Maturity Date.

The Issuer may not redeem the Bonds in whole or in part prior to the Final Maturity Date, except as provided in Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part), Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or in part) and Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) but without prejudice to Condition 9 (Bond Events of Default).

#### **5.2 Scheduled mandatory redemption in part**

Prior to the service of a Bond Acceleration Notice, the Bonds shall, subject to Condition 5.3 below (Redemption, Purchase and Cancellation – Early redemption in whole or part) and Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality), be repaid in instalments on each relevant Bond Interest Payment Date in the amortisation amount set out opposite the relevant Bond Interest Payment Date below (each an "**Amortisation Amount**"). If any partial redemption of the Bonds is made at any time otherwise than in accordance with this Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part), then each Amortisation Amount which falls to be paid after the date of such partial redemption shall be reduced by a proportion of such Amortisation Amount which is the same proportion as the partial redemption so made bore to the Principal Amount Outstanding of Bonds immediately prior to such partial redemption being made but after deducting any redemption made in accordance with this Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part) on the date such partial redemption is made.

13 January 2010	0.00	13 October 2016	2,538,648.00
13 April 2010	1,718,097.00	13 January 2017	2,577,056.00
13 July 2010	1,744,091.00	13 April 2017	2,616,045.00
13 October 2010	1,770,477.00	13 July 2017	2,655,624.00
13 January 2011	1,797,263.00	13 October 2017	2,695,802.00
13 April 2011	1,824,455.00	13 January 2018	2,736,587.00
13 July 2011	1,852,057.00	13 April 2018	2,777,990.00
13 October 2011	1,880,077.00	13 July 2018	2,820,019.00
13 January 2012	1,908,522.00	13 October 2018	2,862,683.00
13 April 2012	1,937,396.00	13 January 2019	2,905,994.00
13 July 2012	1,966,707.00	13 April 2019	2,949,959.00
13 October 2012	1,996,462.00	13 July 2019	2,994,590.00
13 January 2013	2,026,667.00	13 October 2019	3,039,896.00
13 April 2013	2,057,329.00	13 January 2020	3,085,887.00
13 July 2013	2,088,455.00	13 April 2020	3,132,574.00
13 October 2013	2,120,052.00	13 July 2020	3,179,968.00
13 January 2014	2,152,127.00	13 October 2020	3,228,078.00
13 April 2014	2,184,687.00	13 January 2021	3,276,917.00
13 July 2014	2,217,739.00	13 April 2021	3,326,494.00
13 October 2014	2,251,292.00	13 July 2021	3,376,821.00
13 January 2015	2,285,352.00	13 October 2021	3,427,910.00
13 April 2015	2,319,928.00	13 January 2022	3,479,772.00
13 July 2015	2,355,027.00	13 April 2022	3,532,418.00
13 October 2015	2,390,657.00	13 July 2022	3,585,861.00
13 January 2016	2,426,825.00	13 October 2022	3,640,112.00
13 April 2016	2,463,542.00	13 January 2023	3,695,184.00
13 July 2016	2,500,813.00	13 April 2023	3,751,090.00

13 July 2023	3,807,841.00	13 April 2030	5,711,564.00
13 October 2023	3,865,451.00	13 July 2030	5,797,975.00
13 January 2024	3,923,932.00	13 October 2030	5,885,694.00
13 April 2024	3,983,298.00	13 January 2031	5,974,741.00
13 July 2024	4,043,563.00	13 April 2031	6,065,134.00
13 October 2024	4,104,739.00	13 July 2031	6,156,895.00
13 January 2025	4,166,840.00	13 October 2031	6,250,044.00
13 April 2025	4,229,881.00	13 January 2032	6,344,603.00
13 July 2025	4,293,876.00	13 April 2032	6,440,592.00
13 October 2025	4,358,839.00	13 July 2032	6,538,033.00
13 January 2026	4,424,785.00	13 October 2032	6,636,948.00
13 April 2026	4,491,729.00	13 January 2033	6,737,360.00
13 July 2026	4,559,686.00	13 April 2033	6,839,292.00
13 October 2026	4,628,670.00	13 July 2033	6,942,765.00
13 January 2027	4,698,699.00	13 October 2033	7,047,804.00
13 April 2027	4,769,786.00	13 January 2034	7,154,432.00
13 July 2027	4,841,950.00	13 April 2034	7,262,673.00
13 October 2027	4,915,205.00	13 July 2034	7,372,552.00
13 January 2028	4,989,568.00	13 October 2034	7,484,093.00
13 April 2028	5,065,056.00	13 January 2035	7,597,322.00
13 July 2028	5,141,687.00	13 April 2035	7,712,264.00
13 October 2028	5,219,477.00	13 July 2035	7,828,944.00
13 January 2029	5,298,444.00	13 October 2035	7,947,390.00
13 April 2029	5,378,605.00	13 January 2036	8,067,628.00
13 July 2029	5,459,979.00	13 April 2036	8,189,686.00
13 October 2029	5,542,585.00	13 July 2036	8,313,589.00
13 January 2030	5,626,440.00	13 October 2036	8,439,368.00



13 January 2037	8,567,049.00	13 July 2038	9,374,742.00
13 April 2037	8,696,662.00	13 October 2038	9,516,574.00
13 July 2037	8,828,236.00	13 January 2039	9,660,553.00
13 October 2037	8,961,801.00	13 April 2039	9,806,710.00
13 January 2038	9,097,386.00	13 July 2039	9,955,078.00
13 April 2038	9,235,023.00	13 October 2039	10,104,115.00

### 5.3 Early redemption in whole or part

- (a) Except in circumstances where Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) applies, on the receipt by the Issuer of a notice of prepayment from the Partnership under the Partnership Loan Agreement of its intention to make a prepayment in whole or in part of any of the Partnership Loan, as the case may be, the Issuer shall give not less than 20 days and not more than 40 days prior written notice to the Bondholders, the Bond Trustee and the Paying Agents that it will, to the extent it receives such prepayment proceeds, apply the same to redeem the Bonds on the Bond Interest Payment Date immediately following the date of such prepayment.
- (b) Any Bond redeemed pursuant to Condition 5.3(a) (Redemption, Purchase and Cancellation – Early redemption in whole or part will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Bond (or, as the case may be, the relevant part of it) to be redeemed multiplied by the Redemption Percentage (as defined below) (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Bond up to (but excluding) the Bond Interest Payment Date on which such redemption occurs.

**"Redemption Percentage"** means, the greater of:

- (i) 100 per cent.; and
- (ii) that price (as reported in writing to the Issuer and the Bond Trustee by a financial advisor (who can be any bank which is a London gilt-edged market maker (as defined by the Debt Management Office or any successor thereto) approved in writing by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (with 0.0005 being rounded upwards)) at which the Gross Redemption Yield on the whole or, as the case may be, the relevant part of the Bonds, on the Relevant Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on the Relevant Date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date.

**"Reference Market Makers"** means any three banks which are London gilt-edged market makers (as defined by the Debt Management Office or any successor thereto); **"Relevant**

**Date**" means the date which is the third business day in London prior to the date of redemption pursuant to Condition 5.3(a) (Redemption, Purchase and Cancellation – Early redemption in whole or part); **Gross Redemption Yield**" means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16/03/2005); and **Relevant Treasury Stock**" means such United Kingdom government stock as the Bond Trustee, with the advice of any three banks which are London gilt-edged market makers (as defined by the Debt Management Office or any successor thereto) or such other three persons operating in the gilt-edged market as the Bond Trustee may approve, shall determine to be a benchmark gilt the maturity of which most closely matches the maturity of the Bonds as calculated by a financial adviser (who can be any bank which is a London gilt-edged market maker (as defined by the Debt Management Office or any successor thereto) approved in writing by the Bond Trustee).

#### 5.4 Optional redemption due to change of tax law and illegality

If:

- (i) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer would, on the next Bond Interest Payment Date, be required to withhold or deduct an amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any Tax Authority from any payment of principal or interest in respect of any Bond; or
- (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer Swap Provider becomes entitled to terminate the Issuer Swap Agreement in accordance with its terms as a result of the Issuer Swap Provider being required to gross-up or either party being required to deduct or withhold from any payment thereunder, any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any Tax Authority; or
- (iii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Partnership becomes a person that is primarily liable to pay Tax on its income, profits and gains and it has certified to the Issuer and the Issuer Security Trustee that the effect of such changes is materially prejudicial to the interests of the Issuer; or
- (iv) by reason of a change in law which change becomes effective on or after the Closing Date, it would be unlawful for the Issuer to make, fund or allow to remain outstanding, advances made or to be made under the Partnership Loan Agreement and such event is materially prejudicial to the interests of the Bondholders in the opinion of the Bond Trustee,

then the Issuer shall inform the Bond Trustee promptly upon becoming aware of the same and shall, where relevant to the Issuer, use its reasonable endeavours (but at no material cost) to mitigate the effects of the occurrence of the relevant event described in (i), (ii), (iii) or (iv) above, including, without limitation and where appropriate, by way of arranging for the substitution of another company (approved in writing by the Bond Trustee) as principal debtor under the Bonds and as lender under the Partnership Loan Agreement.

If the Issuer is unable to arrange a substitution as described above or otherwise to mitigate the effects of the occurrence of the relevant event in each case at a cost which is not material, or to do so would not avoid the relevant event described in (i), (ii), (iii) or (iv) above, then the Issuer may, on any Bond Interest Payment Date on which the relevant event described in (i), (ii), (iii) or (iv) above, is continuing, and having given not more than 40 days nor less than 20 days notice to the Bond Trustee and to the Bondholders in accordance with Condition 15 (Notices to the Bondholders), redeem all (but not some only) of the Bonds on the immediately following Bond Interest Payment Date at their Principal Amount Outstanding, together with any accrued but unpaid interest on their Principal Amount Outstanding up to (but excluding) such Bond Interest Payment Date, provided that, prior to the publication of each notice of redemption the Issuer has provided to the Bond Trustee:

- (a) evidence satisfactory to the Bond Trustee that the optional redemption may be exercised under this Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) (including such legal opinions and certificates of the directors or other authorised persons of each relevant entity, if any, as the Bond Trustee may require); and
- (b) a certificate signed by two directors of the Issuer to the effect that it has or will have the funds on the relevant Bond Interest Payment Date, not subject to the interest of any other person, required to redeem the Bonds pursuant to this Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) and meet its payment obligations of a higher priority under the Issuer Pre-Enforcement Priority of Payments.

## **5.5 Principal Amount Outstanding**

The "**Principal Amount Outstanding**" of a Bond on any date shall be its original principal amount less the aggregate amount of all principal payments (excluding any premium payable in accordance with Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) in respect of such Bond which have become due and payable since the Closing Date, except if and to the extent that any such payment has been improperly withheld or refused.

The principal amount (if any) to be redeemed in respect of each Bond on any Bond Interest Payment Date under Condition 5 (Redemption, Purchase and Cancellation – Redemption, Purchase and Cancellation) shall, in relation to the Bonds, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Bonds on such Bond Interest Payment Date under Condition 5 (Redemption, Purchase and Cancellation – Redemption, Purchase and Cancellation) (rounded down to the nearest penny), provided always that no such payment may exceed the Principal Amount Outstanding of the relevant Bond.

## **5.6 Notice of redemption**

Any such notice given by the Issuer, as is referred to in Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) or Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Bonds in the amounts specified in such notice.

## **5.7 No purchase by the Issuer**

None of the Issuer, any holding company of the Issuer or any subsidiary of such holding company will be permitted to purchase any of the Bonds (for which purpose, "subsidiary" and "holding company" shall have the meanings given to them in the Companies Act 2006).

## **5.8 Cancellation**

All Bonds redeemed in full pursuant to the foregoing provisions will be cancelled upon redemption and may not be resold or re-issued.

## **6. Payments**

### **6.1 Payments in respect of the Bonds**

Payments in respect of principal, premium (if any) and interest in respect of any Global Bond will be made only against presentation of such Global Bond to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders in accordance with Condition 15 (Notices to the Bondholders) for such purpose, subject, in the case of the Temporary Global Bond, to certification of non-US beneficial ownership as provided in the Temporary Global Bond. A record of each payment of principal, premium or interest made in respect of a Global Bond will be made on the relevant Global Bond by or on behalf of the Principal Paying Agent or such other Paying Agent as aforesaid and such record shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Bond shall have any claim directly against the Issuer in respect of payments due on such Bond whilst such Bond is represented by a Global Bond and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Bond.

### **6.2 Method of payment**

Payments will be made by credit or transfer to an account in pounds sterling maintained by the payee with or, at the option of the payee, by a cheque in pounds sterling drawn on, a bank in London.

### **6.3 Change of Paying Agent**

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 Bond 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 maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct any amount for or on account of any Tax pursuant to the European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to

conform to, that Directive. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 15 (Notices to the Bondholders).

#### **6.4 Payments subject to applicable laws**

Payments in respect of principal, premium (if any) and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

#### **6.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Global Bond for payment only on a Presentation Date and shall not, except as provided in Condition 4 (Interest), be entitled to any further interest or other payment if a Presentation Date is after the due date.

**"Presentation Date"** means a day which (subject to Condition 8 (Prescription)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Global Bond is presented for payment; and
- (c) in the case of payment by credit or transfer to a pounds sterling account in London as referred to above, is a Business Day in London.

**"Business Day"** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

### **7. Taxation**

All payments in respect of the Bonds will be made without withholding or deduction for or on account of any Tax, unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Bonds 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 nor any other person will be obliged to make any additional payments to the Bondholders or the and the holders of the interest coupons appertaining to the Bonds (the **"Couponholders"** and the **"Coupons"** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **"Talons"**) and the holders of the Talons) in respect of any amounts so withheld or deducted.

### **8. Prescription**

Claims for principal shall become void unless the Bonds and or the Coupons are presented for payment within a period of 10 years from the relevant date in respect thereof. Claims for interest shall become void unless the relevant Coupons are presented for payment within a period of five years from the relevant date in respect thereof. After the date on which a Bond or a Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition 8 (Prescription), the **"relevant date"** is the date on which the payment in question first becomes due or (if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Bond Trustee on or prior to such

date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 15 (Notices to the Bondholders).

## 9. Bond Events of Default

### 9.1 Bond Acceleration Notice

The Bond Trustee at its absolute discretion may, and if so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Bonds or if so directed by a resolution of the Bondholders passed as an extraordinary resolution under the terms of the Trust Deed (an "**Extraordinary Resolution**") shall, (subject, in each case, to being indemnified and/or pre-funded and/or secured to its satisfaction), but, in the case of the happening of any of the events described in sub-paragraph (b), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders, give notice (a "**Bond Acceleration Notice**") to the Issuer that the Bonds are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, a "**Bond Event of Default**"):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Bonds and the default continues for a period of three Business Days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Bond Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee or, as the case may be, the Issuer Security Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Bondholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolutions of the Bondholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer

takes possession of the whole or any part of the undertaking or assets of the Issuer or a distress, execution, diligence, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii), in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or

- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of Tesco Plc ("**Tesco**") or any Material Subsidiary shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (howsoever described) in relation thereto or Tesco or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by Tesco or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due.

For this purpose:

**"Material Subsidiary"** means (a) a subsidiary of Tesco whose profits before tax and extraordinary items or whose net assets (in each case attributable to Tesco) calculated by reference to its latest audited accounts represent ten per cent. or more of the consolidated profits before tax and extraordinary items or net assets (in each case attributable to Tesco), as the case may be, of Tesco and its subsidiaries similarly calculated and (b) a subsidiary of Tesco which has outstanding any notes, bonds or other like securities of which Royal Exchange Trust Company Limited (or any successor trustee to Tesco's £15,000,000,000 Euro Note Programme) is trustee. A certificate of any two directors of Tesco that in their opinion a subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive, binding on all parties; and

**"Moneys Borrowed"** means (a) borrowed moneys, and (b) liabilities under any note, bond, bill, debenture, loan stock or other security, in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading; or

- (h) if a Partnership Enforcement Notice is served pursuant to the Partnership Loan Agreement.

## **9.2 Consequences of Bond Acceleration Notice**

Upon the giving of a Bond Acceleration Notice in accordance with Condition 9.1 (Bond Events of Default - Bond Acceleration Notice, the Bonds then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed and the Issuer Security shall become enforceable by the Issuer Security Trustee in accordance with the Issuer Deed of Charge.

## **10. Enforcement**

The Bond Trustee may, at any time, at its discretion and without notice, take such action under or in connection with the Transaction Documents as it may think fit (including, without limitation, directing the Issuer Security Trustee to take any action under or in connection with any of the Transaction Documents or, after the giving of a Bond Acceleration Notice, to take steps to enforce the security constituted by the Issuer Security Documents or directing the Issuer Security Trustee to direct the Partnership Security Trustee to take action under or in connection with any of the Transaction Documents or, after giving a Partnership Enforcement Notice, to take steps to enforce the security constituted by the Partnership Security Documents) provided that:

- (a) the Bond Trustee shall not be bound to take any such action unless it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Bonds;
- (b) the Issuer Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed by (i) the Bond Trustee or (ii) if there are no Bonds outstanding, all of the other Issuer Secured Creditors;
- (c) neither the Bond Trustee nor the Issuer Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction; and
- (d) neither the Bond Trustee nor the Issuer Security Trustee shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Notwithstanding the foregoing, the Issuer Deed of Charge will provide that the Issuer Security Trustee shall enforce the security constituted by the Issuer Deed of Charge by appointing an administrative receiver in respect of the Issuer if it has actual notice of (i) an application for the appointment of an administrator in respect of the Issuer, (ii) the giving of a notice of intention to appoint an administrator in respect of the Issuer or (iii) the filing of a notice of appointment of an administrator in respect of the Issuer with the Court, such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding unless, in any such case, to do so would in the opinion of the Issuer Security Trustee be materially prejudicial to the interests of the Bondholders and the Rating Agencies have confirmed that not so appointing an administrative receiver of the Issuer would not have an adverse effect on their then current ratings of any of the Bonds.

The Issuer Deed of Charge will further provide that (i) the Issuer Security Trustee will not be liable for any failure to appoint an administrative receiver in respect of the Issuer, save in the case of its own gross negligence, wilful default or fraud and (ii) in the event that the Issuer Security Trustee appoints an administrative receiver in respect of the Issuer under



the Issuer Deed of Charge in the circumstances set out in the paragraph above, then the Issuer shall waive any claims against the Issuer Security Trustee in respect of the appointment of the administrative receiver.

## **11. Limited recourse**

No Bondholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Bond Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Bondholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

If:

- (a) there is no Issuer Charged Property remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Issuer Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Security Documents; and
- (c) there are insufficient amounts available from the Issuer Charged Property to pay in full, in accordance with the provisions of the Issuer Security Documents, the amounts outstanding under the Bonds (including payments of principal, premium (if any) and interest),

then the Bondholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Bonds) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## **12. Meetings of Bondholders, Modifications and Waivers**

- 12.1 The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of a Basic Terms Modification or any breach of these Conditions or the provisions of any of the Transaction Documents.
- 12.2 The quorum at any meeting of the Bondholders for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds then outstanding or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the aggregate Principal Amount Outstanding of the Bonds then outstanding so held or represented.
- 12.3 The quorum at any meeting of Bondholders for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Bonds or which would have the effect of postponing any day for payment of interest or principal thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds, altering the currency of payment of the Bonds or altering the quorum or majority required in relation to this exception or modifying this exception (each, a "**Basic Terms Modification**") shall be

one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Bonds.

- 12.4 The Bond Trustee may agree with, or direct the Issuer Security Trustee to agree with, or to direct the Issuer Security Trustee to direct the Partnership Security Trustee to agree with, the Issuer, an Obligor or any other person, without the consent of the Bondholders or Couponholders to any modification (except a Basic Terms Modification) or to any waiver or authorisation of any breach or proposed breach of these Conditions or any of the Transaction Documents:
- (a) which in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the Bondholders; or
  - (b) which, in the opinion of the Bond Trustee, is to correct a manifest error or is of a formal, minor or technical nature.
- 12.5 The Bond Trustee may also, without the consent of the Bondholders or the Couponholders, determine that a Bond Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, abrogation, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Bond Trustee agrees otherwise, any such modification, abrogation, waiver, authorisation or determination shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15 (Notices to the Bondholders).
- 12.6 Where the Bond Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Bondholders, it shall have regard to the interests of the Bondholders as a class and, in particular but without prejudice to the generality of the foregoing, the Bond Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Bondholders 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 Bond Trustee shall not be entitled to require, nor shall any Bondholder 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 Bondholders.
- 12.7 The Trust Deed contains provisions under which any company may, without the consent of the Bondholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds provided that certain conditions specified in the Trust Deed are fulfilled. No Bondholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or Couponholder.

### **13. Indemnification and exoneration of the Bond Trustee**

- 13.1 The Trust Deed, the Issuer Deed of Charge and certain of the Issuer Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of each of the Bond Trustee and the Issuer Security Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing (or, in the case of the Bond Trustee, directing to Issuer Security Trustee to enforce) the Issuer Security or directing the Partnership Security Trustee to enforce the Partnership Level Security unless indemnified and/or secured and/or pre-funded to its satisfaction. The Bond Trustee and the Issuer Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in

the Issuer Security or Partnership Level Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, depositories, warehousemen or other similar persons on behalf of the Bond Trustee or the Issuer Security Trustee.

- 13.2 The Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Bond Trustee and the Issuer Security Trustee are entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is party to the Issuer Transaction Documents or whose obligations are comprised in the Issuer Security and/or the Partnership Level 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 of their subsidiary or associated companies, (i) 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 Bondholders and (ii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **14. Replacement of Global Bonds**

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

#### **15. Notices to the Bondholders**

Any notice shall be deemed to have been duly given to the relevant Bondholders if sent to the Clearing Systems for communication by them to the holders of the Bonds and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Bonds are admitted to the Irish Stock Exchange's Official List and trading on its regulated market), any notice shall also be published in accordance with the relevant rules and regulations (which includes delivering a copy of such notice to the Irish Stock Exchange).

The Bond Trustee shall be at liberty to sanction some other method of giving notice to the Bondholders 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 relevant Bonds are then admitted to trading and provided that notice of such other method is given to the Bondholders in such manner as the Bond Trustee shall require.

#### **16. Contracts (Rights of Third Parties) Act 1999**

Neither any Bond nor any Coupon confers any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of any Bond or any Coupon, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## **17. European Economic and Monetary Union**

### **17.1 Notice of redenomination**

The Issuer may, after the date (if any) on which the United Kingdom adopts the euro as its lawful currency, without the consent of the Bondholders and Couponholders, on giving at least 30 days' prior notice to the Bondholders and the Paying Agents, designate a Bond Interest Payment Date as the date on which the currency of the Bonds is redenominated to euro (the "**Redenomination Date**").

### **17.2 Redenomination**

With effect from the Redenomination Date:

- (a) the Bonds shall be deemed to be redenominated into euro with the Principal Amount Outstanding of each Bond being equal to the Principal Amount Outstanding of that Bond in sterling, converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty establishing the European Community (as amended) (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (b) notwithstanding Condition 17.2(a) (European Economic and Monetary Union – Redenomination), if the Issuer determines, with the agreement of the Bond Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders and the Couponholders, the Irish Stock Exchange and the Paying Agents of such deemed amendments in accordance with Condition 15 (Notices to the Bondholders).

### **17.3 Notice of Redenomination Date**

The Issuer will notify the Bondholders and Couponholders of the intended Redenomination Date in accordance with Condition 15 (Notices to the Bondholders).

### **17.4 Effect of redenomination**

With effect from the Redenomination Date:

- (a) all unmatured Coupons denominated in sterling (whether or not attached to the Bonds) will become void and no payments will be made in respect of such Coupons;
- (b) the payment obligations contained in all Bonds denominated in sterling will become void, but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 17 (European Economic and Monetary Union)) shall remain in full force and effect;
- (c) new Bonds and Coupons denominated in euro will be issued in exchange for Bonds and Coupons denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Bondholders in accordance with Condition 15 (Notices to the Bondholders); and
- (d) all payments in respect of the Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro,

payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of a member state of the European Union that has adopted the euro as its lawful currency.

**18. Governing law**

The Trust Deed, the Issuer Deed of Charge, the Agency Agreement, the other Issuer Transaction Documents, these Conditions and the Bonds (and, in each case, any non-contractual obligations arising out of or in connection with the same) are governed by, and shall be construed in accordance with, English law.

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of the law and published practice in the United Kingdom as at the date of this document in relation to certain aspects of the United Kingdom taxation of payments in respect of, and of the issue and transfers of, the Bonds. The comments do not deal with all United Kingdom tax aspects of acquiring, holding or disposing of the Bonds and relate only to the position of persons who are absolute beneficial owners of the Bonds and may not apply to certain classes of taxpayers (such as dealers). The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed or Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) and do not consider the tax consequences of any such substitution.*

*The following is a general guide and should be treated with appropriate caution. Bondholders who are in any doubt as to their tax position should consult their own professional advisors. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### **United Kingdom withholding tax on payments of interest on the Bonds**

Interest payments on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**"). The Irish Stock Exchange is a recognised stock exchange for these purposes. The Bonds will satisfy this requirement if they are admitted to trading on that exchange and they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area States.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In all other cases, interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

### **Provision of information**

Bondholders should note that where any interest on the Bonds is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**Paying Agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a

"**Collecting Agent**"), then the Paying Agent or the Collecting Agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Bondholder (including the Bondholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Bondholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Bondholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes.

### ***Stamp Duty and Stamp Duty Reserve Tax***

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Bonds or on the transfer by delivery of a Bond.

### ***EU Savings Directive***

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States (including Belgium from 1 January 2010) are 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 or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are instead required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of Directive 2003/48/EC, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes and on 16 December 2008 the European Parliament Committee on Economic and Monetary Affairs issued a draft report on this proposal (which was approved in amended form by the European Parliament on 24 April 2009). If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

Goldman Sachs International (the "**Lead Manager**") has, pursuant to a subscription agreement dated on or around 21 September 2009 between the Lead Manager, the Issuer, the Obligors and Tesco (the "**Subscription Agreement**"), agreed, jointly and severally, subject to certain conditions, to procure subscribers and failing which themselves to subscribe and pay for the Bonds at an issue price of 100 per cent. of the principal amount thereof.

The Issuer, failing whom Tesco, has agreed to pay to the Lead Manager a selling commission. On the Closing Date, pursuant to the terms of the Partnership Loan Agreement, the Partnership will pay the Initial Partnership Facility Fee to the Issuer, which will be equal to all fees, costs and expenses properly and reasonably incurred by the Issuer on or before the Closing Date in connection with the issue of the Bonds, including the selling commissions referred to above.

The 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 Tesco, has agreed to indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Bonds.

### ***United Kingdom***

The Lead Manager has represented and agreed, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

### ***United States***

The Bonds have not been and will not be registered under 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 (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date (for the purposes only of this section, the "**Restricted Period**") within the United States or to, or for the account or benefit of, U.S. persons (except in accordance with Rule 903 of Regulation S), and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds 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.

The Bonds 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.

***General***

Except for the approval of this document as a prospectus by the Financial Regulator, no action has been or 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 Bonds, or the possession, circulation or distribution of this document or any other material relating to the Issuer 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 Bonds 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 Bonds 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 Bonds, or distribute this document or any other material relating to the Bonds, 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 Bonds will be authorised by resolution of the board of directors of the Issuer passed on or before 21 September 2009.
2. It is expected that the admission of the Bonds to the Irish Stock Exchange's Official List and trading on its regulated market will be granted on or about the Closing Date, subject only to issue of the Temporary Global Bond and the Permanent Global Bond. The listing of the Bonds will be cancelled if the Temporary Global Bond and the Permanent Global Bond are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. It is expected that the Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for the Bonds is as follows:

<b>ISIN</b>	<b>Common Code</b>
XS0347919028	034791902

4. So long as the Bonds are admitted to the Irish Stock Exchange's Official List and trading on its regulated Market, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. None of the Issuer, the Partnership and the General Partner is nor has been involved in any governmental, legal or arbitration proceedings which may have, or have had, since the date of its incorporation a significant effect on its financial position, nor is the Issuer, the Partnership or the General Partner aware that any such proceedings are pending or threatened.
6. Since the date of their incorporation, each of the Issuer, the Partnership and the General Partner has not commenced operations and has not prepared any audited accounts.
7. Berwin Leighton Paisner LLP, Semple Fraser LLP, Tods Murray LLP, Tuffin Ferraby Taylor LLP, GL Hearn Limited, Cushman & Wakefield LLP and Environ UK Limited have each given and not withdrawn their written consent to, as the case may be, the inclusion in this document of their reports, reference to their reports in this document 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 Prospectus.
8. Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages, standard securities, charges or given any guarantees.
9. Save as disclosed in this document, the Partnership has no partnership contributions, borrowings or indebtedness or contingent liabilities, nor has the Partnership created any mortgages, standard securities, charges or given any guarantees.
10. Save as disclosed in this document, the General Partner has no outstanding loan capital, borrowings or indebtedness or contingent liabilities, nor has the General Partner created any mortgages, standard securities, charges or given any guarantees.

11. Copies of the following documents may be inspected in physical form during usual business hours on any week day (excluding Saturdays and public holidays) at the registered offices of the Issuer from the date of this Prospectus and for so long as the Bonds are listed on the Irish Stock Exchange:
- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Memorandum and Articles of Association of the General Partner;
  - (c) the Partnership Agreement;
  - (d) the Subscription Agreement;
  - (e) copies of the execution versions of the following Transaction Documents:
    - (i) the Trust Deed;
    - (ii) the Agency Agreement;
    - (iii) the Cash Management Agreement;
    - (iv) the Issuer Deed of Charge; and
    - (v) the Issuer Master Definitions and Construction Schedule;
  - (f) the Valuation Report; and
  - (g) the auditor's report and audited annual financial statements for the years ended 28 February 2008 and 28 February 2009 in respect of Tesco Plc.

No website referred to in this Prospectus forms part of the document for the purposes of the listing of the Bonds on the Irish Stock Exchange.

The Issuer will provide post-issuance transaction information (including the balance of the Accounts and the payments made under the Partnership Priorities of Payments and the Issuer Priorities of Payments) on a quarterly basis in relation to the Bonds and the Partnership Loan and on an annual basis in relation to value of the Mortgaged Properties. Such information will be sent to the Rating Agencies and made available to Bondholders on Bloomberg (or such other information service as is notified to Bondholders from time to time).

**APPENDIX 1**  
**INDEX OF DEFINED TERMS**

*The following terms apply throughout this document unless the context otherwise requires:*

£.....	iii	Depot Propco Charged Property .....	60
Account Bank.....	12	Depot Propco Corporate Services	
Account Bank Agreement.....	55	Agreement.....	13
Accounts .....	55	Depot Propco Corporate Services	
Accrual Date.....	151	Provider.....	13
Act.....	167	Depot Propco Deed of Charge .....	11, 60
Adjoining Land Development.....	82	Depot Propco Security.....	60
Agency Agreement.....	145	Developer.....	38
Alteration Adjustment Rent.....	81	Distribution Centres.....	1
Alterations .....	76	Eligible Bank .....	56
Amortisation Amount .....	151	Eligible Investments .....	89
ATMs.....	115	English Partnership Beneficiary	
Basic Terms Modification .....	163	Undertaking.....	72
Beneficiary Undertakings.....	72	English Partnership Declaration of Trust ....	70
Bond Acceleration Notice .....	159	Environmental Reports.....	28
Bond Event of Default .....	159	Euroclear.....	i, 146
Bond Interest Payment Date .....	151	Exchange Date.....	143, 146
Bond Interest Period.....	i, 151	Exchange Event .....	143
Bond Trustee.....	i, 10, 145	Existing DC Lease.....	38
Bondholder.....	145	Extraordinary Resolution .....	14, 159
Bondholders .....	145, 147	Final Maturity Date .....	i, 16, 151
Bonds.....	i, 145	Financial Regulator .....	i
Business Day .....	158	Fitch .....	i, 146
Calculation Date .....	2	Framework .....	36
Calculation Period .....	93	FSMA .....	90
Cash Management Agreement.....	56	General Partner.....	9, 106
Cash Manager.....	11	General Partner Corporation Tax	
Certificate of Title .....	40	Reserve Account.....	55
Certificates of Title.....	40	Global Bond .....	143, 146
Clearing Systems .....	146	Global Bonds.....	i, 143, 146
Clearstream, Luxembourg.....	i, 146	GP Charged Property.....	58
Closing Date.....	i, 145	GP Security.....	58
Collecting Agent.....	168	Gross Redemption Yield.....	155
Committed Subordinated Loan		Group.....	113
Agreement.....	87	GWP .....	115
Common Depository.....	i, 146	Headleases .....	50
Completion Certificate Acceptances.....	26	Highest Rated Entity.....	10
Condition.....	145	Highest Rated Entity Deed .....	10
Conditions .....	i, 145	Incoming Property .....	77
Couponholders.....	158	Increased Alteration Value .....	81
Coupons.....	158	Initial Partnership Facility Fee.....	48
CPO Disposal.....	75	Insolvency Official .....	54
DC Depot Propco Lease.....	39	Irish Stock Exchange.....	i
DC Head Lease.....	39	Issuer .....	i, 8, 101, 145
DC Occupational Leaseback .....	39	Issuer Available Funds.....	97
DC Parallel Lease .....	39	Issuer Charged Property .....	61
Declarations of Trust .....	70	Issuer Deed of Charge .....	10, 61, 145
Definitive Bonds .....	143, 147	Issuer Fixed Legs.....	4
Depot Propco .....	9, 112	Issuer Holdco .....	8, 102

Issuer Holdco Nominee .....	8	Nominees Charged Property .....	59
Issuer Index Linked Legs.....	3	Nominees Deed of Charge .....	11, 59
Issuer Master Definitions and Construction Schedule .....	145	Nominees Holdco .....	9, 109
Issuer Partnership Swap Termination Amount.....	97	Nominees Holdco Charged Property .....	59
Issuer Post-Enforcement Priority of Payments .....	98	Nominees Holdco Deed of Charge .....	11, 59
Issuer Pre-Enforcement Priority of Payments .....	96	Nominees Holdco Security .....	59
Issuer Priorities of Payments.....	98	Nominees Holdco Side Letter.....	91
Issuer Priority of Payments.....	98	Nominees Security .....	59
Issuer Profit.....	97	Nominees Side Letter.....	91
Issuer Secured Creditors.....	16	Nominees/Nominees Holdco Corporate Services Agreement.....	13
Issuer Secured Obligations .....	61	Nominees/Nominees Holdco Corporate Services Provider .....	13
Issuer Security .....	61	Obligor Insolvency Event.....	52
Issuer Security Documents.....	10	Obligors.....	4, 49
Issuer Security Trustee.....	10, 145	Occupational Lease.....	2
Issuer Swap Agreement .....	i, 63	Occupational Lease Maturity Date.....	2
Issuer Swap Provider .....	i, 12	Occupational Leases.....	2
Issuer Swaps.....	3	Occupational Tenant .....	1
Issuer Transaction Account.....	89	Occupational Tenant Guarantee.....	64
Issuer Transaction Documents .....	4	Occupational Tenant Guarantor .....	i, 2, 64
Issuer/Issuer Holdco Corporate Services Agreement.....	13	Occupational Tenants .....	i, 1
Issuer/Issuer Holdco Corporate Services Provider.....	13	Ongoing Partnership Facility Fee .....	48
Issuer's Secured Obligations .....	34	Option .....	83
JPUT .....	31	Option Disposal.....	75
JPUT Limited Partner .....	9, 108	Original Principal Rent.....	47
JPUT Trustee .....	9	Outgoing Property .....	78
JV Investors .....	9, 108	Overview Report.....	25
Landlord .....	64	Partners .....	8
Lead Manager .....	i, 169	Partnership.....	i, 8, 103
Licence 1.....	39	Partnership Accounts .....	85
Licence 2.....	39	Partnership Administration Period .....	71
Limited Partners .....	8	Partnership Adverse Effect.....	54
Livingston Distribution Centre.....	1	Partnership Agreement.....	8, 103
Livingston Lender.....	1	Partnership Allocated Loan Amount .....	47
Livingston Loan .....	1	Partnership Amortisation Amount .....	42
Loan Interest Payment Date.....	3	Partnership Available Funds.....	92
Loan Interest Period.....	93	Partnership Beneficiary Undertakings.....	72
Magor Distribution Centre.....	1	Partnership Charged Property .....	57
Market Conditions .....	53	Partnership Declarations of Trust .....	70
Market Value .....	80	Partnership Deed of Charge.....	11, 57
Material Subsidiary.....	17, 160	Partnership Disposal Proceeds Account.....	88
Minor Disposal .....	75	Partnership Distribution Account .....	89
Moneys Borrowed .....	18, 160	Partnership Enforcement Notice.....	54
Moody's.....	i, 146	Partnership Expenses Reserve Ledger .....	86
Mortgaged Properties.....	38	Partnership Expenses Reserve Ledger Maximum Balance.....	87
Mortgaged Property.....	38	Partnership Expenses Shortfall .....	87
Nominee.....	2, 9	Partnership Facility Fees.....	48
Nominee No. 1 .....	2, 9, 110	Partnership First Loan Interest Payment Date Fee .....	42
Nominee No. 2 .....	2, 9, 111	Partnership Fixed Legs.....	3
Nominees.....	2, 9	Partnership Index Linked Legs .....	3
		Partnership Insurance Proceeds Account.....	88

Partnership Level Charged Property.....	60	Rating Agency Confirmation.....	22
Partnership Level Security.....	60	RBS.....	115
Partnership Loan.....	i, 1	Redemption Amount.....	48
Partnership Loan Agreement.....	1	Redemption Percentage.....	154
Partnership Loan Events of Default.....	52	Redenomination Date.....	165
Partnership Loan Guarantee.....	3, 52	Reference Market Makers.....	154
Partnership Loan Potential Events of Default.....	52	relevant date.....	158
Partnership Operating Agreement.....	12	Relevant Date.....	155
Partnership Operator.....	12, 116	Relevant Treasury Stock.....	155
Partnership Post-Enforcement Priority of Payments.....	94	Rent Payment Dates.....	65
Partnership Pre-Enforcement Priority of Payments.....	90	Rental Income.....	2
Partnership Prepayment Amount.....	47	Required Partnership CPO Prepayment.....	45
Partnership Priorities of Payments.....	94	Required Partnership Illegality Prepayment.....	45
Partnership Priority of Payments.....	94	Required Partnership Insurance Prepayment.....	45
Partnership Property Trust.....	71	Restricted Period.....	169
Partnership Rent Account.....	2	RICS.....	81
Partnership Secured Creditors.....	4	RPI.....	3
Partnership Secured Obligations.....	8	S&P.....	i, 146
Partnership Security.....	57	Scottish Overview Report.....	25
Partnership Security Documents.....	11, 60	Scottish Partnership Beneficiary Undertaking.....	72
Partnership Security Trustee.....	11	Scottish Partnership Declarations of Trust.....	70
Partnership Senior Amounts.....	87	SDLT Deed of Covenant.....	73
Partnership Spens Excess.....	48	Securities Act.....	ii
Partnership Swap Agreement.....	i, 62	Share Trustee.....	8
Partnership Swap Provider.....	3	Stabilisation Manager.....	iii
Partnership Swap Termination Amount.....	46	sterling.....	iii
Partnership Swaps.....	3	Store.....	38
Partnership Transaction Account.....	86	Subscription Agreement.....	169
Partnership Transaction Documents.....	4	Substitution Adjustment Rent.....	79
Partnership Trust Property.....	71	Substitution Agreement.....	77
Partnership Trust Property Obligations.....	71	Substitution Criteria.....	79
Partnership Underlying Documents.....	71	Substitution Disposal.....	74
Partnership VAT Account.....	87	Substitution Event.....	77
Paying Agent.....	167	Swap Subordinated Amount.....	97
Paying Agents.....	145	Swap Subordinated Amounts.....	97
Permanent Global Bond.....	i, 143, 146	Talons.....	158
Permitted Disposal.....	75	Tax.....	50
pounds.....	iii	Tax Authority.....	50
prescribed person.....	31	Tax Deed of Covenant.....	72
Presentation Date.....	158	taxable.....	50
Principal Amount Outstanding.....	156	taxation.....	50
Principal Paying Agent.....	145	Taxes.....	50
Principal Rent.....	2	Temporary Global Bond.....	i, 143, 146
Property Advisor.....	12, 74	Tesco.....	10
Property Advisor Agreement.....	74	Tesco Group.....	10
Property Option Agreement.....	83	Tesco Limited Partner.....	9, 107
Property Pool Management Agreement.....	12	Tesco Nominees.....	1
Property Pool Manager.....	12, 61	TPF.....	115
Property Portfolio.....	1, 38	TPHL.....	39
Prospectus.....	i	Transaction Documents.....	4
Prospectus Directive.....	i	Trust Deed.....	10, 145
Rating Agencies.....	i, 146		

Trust Property .....	38
TSL .....	1
Vacant Possession Value.....	81
Valuation Date.....	1, 38
Valuation Report.....	1

Valuers.....	39
VAT.....	2
Voluntary Disposal .....	75
Voluntary Partnership Prepayment.....	45

**SOLE ARRANGER AND LEAD MANAGER**

**Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

35 Great St. Helen's  
London  
EC3A 6AP

**BOND TRUSTEE**

**HSBC Corporate Trustee  
Company (UK) Limited**  
8 Canada Square  
London  
E14 5HQ

**CASH MANAGER**

**HSBC BANK PLC**  
8 Canada Square  
London  
E14 5HQ

**PARTNERSHIP SECURITY  
TRUSTEE AND ISSUER  
SECURITY TRUSTEE**

**HSBC Corporate Trustee  
Company (UK) Limited**  
8 Canada Square  
London  
E14 5HQ

**LEGAL ADVISORS**

*To the Issuer, the  
Partnership, the  
General Partner, the  
Tesco Limited Partner  
and the Tesco Group  
as to English Law*

**Berwin Leighton  
Paisner LLP**  
Adelaide House  
London Bridge  
London EC4R 9HA

*To the Sole Arranger  
and Lead Manager,  
the Bond Trustee, the  
Issuer Security  
Trustee and the  
Partnership Security  
Trustee as to English  
Law*

**Allen & Overy LLP**  
One Bishops Square  
London  
1 6AD

*To the Sole Arranger  
and Lead Manager,  
the Bond Trustee, the  
Issuer Security  
Trustee and the  
Partnership Security  
Trustee as to Scots  
Law*

**Tods Murray LLP**  
Edinburgh Quay  
133 Fountainbridge  
Edinburgh EH3 9AG

*To the Issuer, the  
Partnership, the  
General Partner, the  
Tesco Limited Partner  
and the Tesco Group  
as to Scots Law*

**Semple Fraser LLP**  
80 George Street  
Edinburgh  
EH2 3BU

**AGENT BANK AND PRINCIPAL PAYING  
AGENT**

**HSBC Bank plc**  
8 Canada Square  
London  
E14 5HQ

**AUDITORS**  
**PriceWaterhouseCoopers LLP**  
10 Bricket Road  
St Albans AL1 3JX

**LISTING AGENT**

**McCann FitzGerald Listing Services Limited**  
*Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
Ireland*

**VALUERS**  
**Cushman & Wakefield LLP**  
43/45 Portman Square  
London W1A 3BG