

CAMPUS LIVING VILLAGES (BOND ISSUER) UK PLC

(a public company incorporated in England and Wales with limited liability, registered number 08865013)

£157,500,000 Secured Indexed Rate Amortising Notes due 2063

Issue Price: 100 per cent.

£52,500,000 Secured Fixed Rate Amortising Notes due 2063

Issue Price: 100 per cent.

The £157,500,000 Secured Indexed Rate Amortising Notes due 2063 (the **Indexed Notes**) and the £52,500,000 Secured Fixed Rate Amortising Notes due 2063 (the **Fixed Rate Notes**), and together with the Indexed Notes, the **Notes** are to be issued by Campus Living Villages (Bond Issuer) UK plc (the **Issuer**) on 27 February 2014 (the **Issue Date**) as part of the transaction (the **Transaction**) described in this prospectus (this **Prospectus**). The Indexed Notes and the Fixed Rate Notes respectively constitute a separate *pari passu* class of Notes (each a **Class**). Capitalised terms are used as defined herein.

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Directive 2003/71/EC (and amendments thereto to the extent implemented in the Republic of Ireland) (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the **Irish Stock Exchange**) or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List (the **Official List**) and trading on its regulated market. References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on its regulated market. This document constitutes a Prospectus for the purpose of the Prospectus Directive.

An investment in the Notes involves certain risks. For a discussion of these risks see *Risk Factors*.

The net proceeds from the issue of the Notes will be advanced by the Issuer to Campus Living Villages (City Portfolio) UK Limited and Campus Living Villages (Sutton Bonington) UK Limited (each, an **AssetCo** and together, the **AssetCos**) under the On-Loan Agreement (the **On-Loan Agreement**) to be entered into by and between the AssetCos, the Issuer and U.S. Bank Trustees Limited (the **AssetCo Security Trustee**) on or about the Issue Date. Each AssetCo will draw loans (each, an **On-Loan** and together, the **On-Loans**) under the On-Loan Agreement and use the amount received from the Issuer (in combination with the AssetCo's borrowings under the Subordinated Loan Agreements and certain other amounts to be received by each AssetCo on or about the Issue Date) to (a) purchase the student accommodation property or properties and supplementary assets each described herein, (b) fund transaction costs and (c) fund the initial deposit in the Debt Service Reserve Account, the initial Sinking Fund Required Amount in each Sinking Fund Account and a proportion of the required Budgeted Operating Expenditure in each Opex Account. The AssetCos are special purpose companies and wholly owned subsidiaries of the Issuer and have been established by the Issuer to acquire and hold those properties for the purpose of the Transaction.

The primary source of funds for the payment of principal and interest on the Notes will be the right to receive rental payments from the tenants of such student accommodation property or properties purchased by the AssetCos given that the AssetCos will be obliged to apply such rental payments in making payments of interest and repayments of principal to the Issuer in respect of the On-Loan Agreement.

Interest on the Notes is payable from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date (each, an **Interest Period**). The Notes bear interest on their Principal Amount Outstanding from (and including) the Issue Date payable semi-annually in arrear on 28 February and 31 August in each year or, if such day is not a Business Day, then on the next Business Day (each, an **Interest Payment Date**), commencing on the Interest Payment Date occurring in August 2014 and ending on the Interest Payment Date occurring in August 2063 (the **Final Maturity Date**); *provided that* the first period in respect of which interest is payable on the Notes will commence on (and include) the Issue Date and end on (but exclude) the first Interest Payment Date being 31 August 2014. Interest on the Indexed Notes will accrue at the Indexed Interest Rate and interest on the Fixed Rate Notes will accrue at Fixed Interest Rate. The calculation of interest and payments of interest in respect of the Notes are further described in Condition 5 (*Interest and other calculations*).

Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of United Kingdom taxes unless required by law. In the event that any such withholding or deduction is so required, the Issuer will not be obliged to pay any additional amount in respect of any such withholding or deduction.

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Principal Amount Outstanding (adjusted, in the case of the Indexed Notes, in accordance with the Index Ratio as set out in Condition 6 (*Indexation*)) on the Final Maturity Date. The Indexed Notes may be redeemed at any time prior to the Final Maturity Date in whole and the Fixed Rate Notes may be redeemed at any time prior to the Final Maturity Date in whole or in part (but, if in part, only in respect of the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of and restrictions contained in the On-Loan Agreement), at the higher of their Principal Amount Outstanding (in the case of the Indexed Notes, as adjusted for indexation by the Index Ratio) and an amount calculated by discounting the remaining principal and interest payments (in the case of the Indexed Notes, ignoring future changes in the Index Ratio) at a rate equal to, in the case of the Indexed Notes, the real yield on the Indexed Benchmark Gilt or, in the case of the Fixed Rate Notes, the yield on the Fixed Benchmark Gilt, together with accrued interest (adjusted, in the case of the Indexed Notes, in accordance with the Index Ratio). Prior to the Final Maturity Date, the Issuer may not redeem any Indexed Notes in part. The Issuer may also elect to redeem the Notes at their Principal Amount Outstanding plus accrued interest (each adjusted, in the case of the Indexed Notes, in accordance with the Index Ratio) in the event of any withholding or deduction on account of United Kingdom taxes being required.

The Notes will not be rated on the Issue Date and the Issuer does not intend to apply for a rating.

The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Each of the Indexed Notes and the Fixed Rate Notes will be initially represented by a temporary global note, each without principal receipts and interest coupons and each of which will be deposited on or about the Issue Date with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). On or after the date which is 40 days after the Temporary Global Note is issued (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership, interests in the temporary global note will be exchangeable for interests in a permanent global note without interest coupons. Interests in a permanent global note will be exchangeable for definitive Notes (**Definitive Notes**) only in certain limited circumstances. See *Forms of the Notes*.

Arranger and Dealer
TradeRisks Limited

The date of this Prospectus is 26 February 2014

IMPORTANT NOTICES

This Prospectus is being distributed only to, and is directed only at, persons who (a) are outside the UK or (b) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the *Order*) or (c) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as *relevant persons*). Neither this Prospectus, nor any of its contents, may be acted upon or relied upon by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

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

Each AssetCo accepts responsibility for the information relating to it under the headings *The Property Portfolio*, *Corporate Information on the Issuer Obligors and AssetCos – Multi AssetCo* and *Corporate Information on the Issuer Obligors and AssetCos – Single AssetCo*, and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Campus Living Villages UK Limited (*CLV*) accepts responsibility for the information under the headings *The CLV Group* and *The Property Portfolio* contained in this Prospectus and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Savills Advisory Services Limited, Chartered Surveyors, (the *Valuer*) accepts responsibility for the information contained in the section entitled *Valuation Reports* and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. For the avoidance of doubt, with the exception of the information contained in the section entitled *Valuation Reports*, the Valuer does not accept any responsibility in relation to the information contained in this Prospectus or any other information provided by CLV, the Issuer or the AssetCos in connection with the issue of the Notes.

The information in:

- (a) the section entitled *The United Kingdom Higher Education and Student Accommodation Sector* has been extracted from a report titled *Opal Site Reports* prepared by Knight Frank Student Property, part of Knight Frank LLP, and dated 4 December 2013,
- (b) the risk factor *Demand for AssetCo accommodation may be affected by increasing competition between operators and increasing levels of residential development* has been extracted from a report titled *Opal Site Reports* prepared by Knight Frank Student Property, part of Knight Frank LLP, and dated 4 December 2013,

- (c) the table of *Leading developers and operators and their market share as at August 2012* and set out in the section entitled *The CLV Group – Competitive landscape* has been extracted from research prepared by CB Richard Ellis in August 2012, and
- (d) the table setting out the *Historical financial and operating performance of the Property Portfolio* in section *The Property Portfolio* has been provided by the Opal Administrators.

Each of CLV and the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the sources from which such information has been extracted (as identified above), no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised in connection with the issue and sale of the Notes under the Transaction to make any representation or provide any information other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorised by or on behalf of the Issuer or any other party.

No party (including, without limitation, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank) save for the Issuer, CLV, the AssetCos and, solely in respect of the section entitled *Valuation Reports*, the Valuer, have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any other party (including, without limitation, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank) as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution. The statements in this paragraph are without prejudice to the responsibility of the Issuer. Each person receiving this Prospectus acknowledges that such person has not relied on any other party (including, without limitation, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank) in connection with any investigation of the accuracy of the information on its investment decision.

Neither the delivery of this Prospectus nor the offer, sale, allocation, solicitation or delivery of any Note shall in any circumstances create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of any of the Issuer Obligors, each AssetCo or any relevant party or the information contained herein since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to the date of this Prospectus. This Prospectus (and any other information provided in conjunction with this Prospectus) is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any other party (including, without limitation, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank) that any recipient of this Prospectus (or any other information provided in conjunction with this Prospectus) should purchase any of the Notes. The Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank expressly do not undertake to review the financial condition or affairs of the Issuer or the AssetCos during the life of the Notes or to advise any prospective purchaser in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see *Note Purchase and Sale*).

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted

by law in certain jurisdictions. The Issuer, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes.

Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Arranger, the Dealer, the Trustees, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank and the Account Bank that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes.

Prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and the risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

The distribution of this Prospectus and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Dealer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe for or purchase any Notes in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

None of the Issuer Obligors, the AssetCos, the Arranger, the Dealer, the Trustees, the Monitoring Adviser, the Principal Paying Agent, the Agent Bank, the Custodian, the House Bank, the Account Bank or any other party named in this Prospectus accept responsibility to investors for the regulatory treatment of their investment in the Notes (including (but not limited to) whether any transaction or transactions pursuant to which Notes are issued from time to time is or will be treated as constituting a *securitisation* for the purposes of the CRR (as defined below) and the application of Articles 405 to 409 of the CRR to any such securitisation) in any jurisdiction or by any regulatory authority or any analogous law or regulation. If the regulatory treatment of an investment in the Notes is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the section entitled *Risk Factors — Other legal risks — Changes to the risk weighted asset framework* section of this Prospectus for further information on Articles 405 to 409.

Any individual intending to invest in any Note described in this Prospectus should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it. The price of securities can go down as well as up.

All references in this Prospectus to *pound*, *sterling* or *Sterling* and £ refer to pounds sterling.

In this Prospectus all references to *Moody's* are to Moody's Investors Service Limited and all references to *S&P* are to Standard & Poor's Credit Market Services Group Limited. As of the date of this Prospectus, each of Moody's and S&P is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the CRA Regulation). As such each of Moody's and S&P is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs).

Forward-looking statements

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented in this Prospectus. When used in this Prospectus, the words **estimate**, **project**, **intend**, **anticipate**, **believe**, **expect**, **should** and similar expressions, as they relate to the Issuer and the Transaction are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. No party undertakes any obligation publicly to release the result of any revision to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CONTENTS

TRANSACTION OVERVIEW	8	THE PROPERTY PORTFOLIO	70
The Transaction	8	Overview	70
Property Portfolio	8	Acquisition from administrators	70
Acquisition from administrators	9	Due diligence	71
Property Schemes and O&M Contracts	9	O&M Provider's approach to operating the Properties	72
Source of funds for payments on the Notes	10	The O&M Contract between the AssetCos and the O&M	
Security Arrangements	10	Provider	74
Other arrangements	11	Management Services for the Issuer and the AssetCos	80
Monitoring Adviser	11	Historic financial and operating performance of the	
Diagrammatic overview of the Issuer and AssetCos		Property Portfolio	80
ownership structure	12	Property Scheme specific summaries	80
Diagrammatic overview of the Transaction	13	Birmingham Property	81
The parties and key characteristics of the Transaction	14	Greenwich Property	84
Issuer	14	Leeds 1 Property	89
CLV	14	Leeds 2 Property	92
HoldCo	14	Liverpool Property	94
Subordinated Lenders	14	Manchester Property	99
AssetCos	15	Newport Property	101
Issuer Note Trustee	15	Nottingham Property	102
Issuer Security Trustee	15	VALUATION REPORTS	110
AssetCo Security Trustee	16	DESCRIPTION OF THE ISSUER TRANSACTION DOCUMENTS	111
Cash Administrator	16	Issuer Deed of Charge	111
Account Bank	16	HoldCo Asset Charge	118
House Bank	16	Common Terms Agreement	119
Custodian	17	Common Terms definitions	120
Principal Paying Agent and Agent Bank	17	Representations and warranties	128
Monitoring Adviser	17	Covenants	130
O&M Provider	17	Monitoring Trigger Events and Lock-up Events	142
Management Services Provider	18	Events of Default	143
Arranger	18	Cash management and Priority of Payments	145
Dealer	18	Operating Account Priority of Payments	151
Description of the Notes	18	Monitoring Services Agreement	153
Issue Price of the Notes	18	Cash Administration Agreement	162
Use of proceeds	18	Account Bank Agreement	163
Form and Status of Notes	18	Custody Agreement	164
Interest on the Notes	19	Note Trust Deed	165
Taxation	19	Agency Agreement	166
Final redemption	19	Management Services Agreement	166
Scheduled redemption in part	19	Tax Deed of Covenant	168
Issuer optional early redemption	20	DESCRIPTION OF THE ASSETCo DOCUMENTS	169
Issuer redemption for Index Events	20	On-Loan Agreement	169
Issuer redemption for Taxation reasons	20	Subordinated Loan Agreements	179
Early redemption on prepayment of an On-Loan following		Fees	180
termination of the Nottingham Property Scheme		House Bank Agreement	181
Agreement	21	AssetCo Debenture	181
Early redemption on any other prepayment of the		AssetCo Mortgage	185
On-Loan Agreement	21	AssetCo Guarantee	186
Issuer Events of Default	21	SUMMARY OF SECURITY AND ENFORCEMENT RIGHTS	188
Extraordinary Resolutions	22	Security	188
Basic Terms Modification	23	Enforcement rights and limitations	188
Risk factors	23	Cross collateralisation guarantee and cash pooling	189
Listing and admission to trading	23	CORPORATE INFORMATION ON THE ISSUER OBLIGORS AND	
Rating	24	ASSETCOS	190
Selling restrictions	24	The Issuer	190
Governing law	24	HoldCo	190
RISK FACTORS	25	Multi AssetCo	191
Business and regulatory risk factors	25	Single AssetCo	191
Property and related risks	32	THE MONITORING ADVISER	193
Risks relating to the financial structure	36	TERMS AND CONDITIONS OF THE NOTES	194
Tax risks	40	1. Form, denomination and title	195
Insolvency considerations	43	2. Status of the Notes	196
Security risks	44	3. Security, Priority and Relationship with Issuer	
Other legal risks	47	Secured Creditors	196
Risks relating to the Issuer and the Notes	47	4. Issuer Covenants	198
USE OF PROCEEDS	53	5. Interest and other calculations	198
THE UNITED KINGDOM HIGHER EDUCATION AND STUDENT		6. Indexation	202
ACCOMMODATION SECTOR	54	7. Redemption, purchase and cancellation	205
THE CLV GROUP	62	8. Payments	211
Campus Living Villages Fund	62	9. Taxation	213
Fund Manager and the Transfield Holdings Group	63	10. Issuer Events of Default and Enforcement Notice	214
Key features of the CLV business model	63	11. Enforcement against the Issuer	216
CLV's selection criteria	63	12. Prescription	216
Components of CLV business model	64	13. Replacement of Notes, Coupons, Receipts and Talons	216
Competitive landscape	66	14. Meetings of Noteholders, modification, waiver and	
Management Team	67	substitution	216
		15. Notices	219

16. Issuer Note Trustee protections.....	219	TAX CONSIDERATIONS	230
17. Indemnification of the Issuer Note Trustee and the Issuer Security Trustee.....	220	Interest on the Notes	230
18. European Economic and Monetary Union.....	220	United Kingdom corporation tax payers.....	232
19. Limited Recourse	221	Other United Kingdom tax payers	232
20. Miscellaneous	222	NOTE PURCHASE AND SALE	233
FORMS OF THE NOTES	224	United States of America	233
Temporary Global Note	224	United Kingdom	233
Temporary Global Note exchangeable for Permanent Global Note	224	General	234
Global Note exchangeable for Definitive Notes	225	GENERAL INFORMATION	235
Conditions applicable to the Notes	225	Authorisation.....	235
Legend concerning United States persons.....	225	Listing of Notes	235
Provisions Relating to the Notes while in Global Form	226	Documents available	235
Denominations	227	Clearing systems	236
Prescription of claims in relation to Notes	227	No Material Change	236
BOOK-ENTRY CLEARANCE PROCEDURE.....	228	Litigation	236
Euroclear and Clearstream, Luxembourg.....	228	Availability of Financial Statements.....	236
Book-entry ownership	228	Legend.....	236
Payments and relationship of participants with Clearing Systems.....	228	Information in respect of the Notes	236
Settlement and transfer of Notes	228	Websites	237
		Arranger and Dealer transacting with the Issuer Obligors or the AssetCos	237
		Listing Agent.....	237
		INDEX OF DEFINED TERMS.....	238

TRANSACTION OVERVIEW

The following is an overview of the Transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Prospectus. Prospective purchasers of the Notes are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus in making any decision whether or not to invest in any Notes.

The Transaction

The Issuer has been incorporated as a special purpose company for the purpose of issuing the Notes under the Transaction.

The Issuer has established two special purpose companies, which are wholly owned subsidiaries of the Issuer, to acquire and hold the Properties (and other assets) described below for the purpose of the Transaction, being Campus Living Villages (Sutton Bonington) UK Limited (**Single AssetCo**) and Campus Living Villages (City Portfolio) UK Limited (**Multi AssetCo**) (each, an **AssetCo** and together, the **AssetCos**).

The net proceeds of the Notes (after the deduction of certain transaction expenses) will be used by the Issuer to advance On-Loans to the AssetCos. The AssetCos will additionally enter into each Subordinated Loan Agreement pursuant to which the AssetCos will receive Subordinated Loans, which will (together with the advance of the On-Loans from the Issuer and the proceeds of equity subscription received from the Issuer) provide the AssetCos with sufficient funds to:

- (a) purchase the Property Portfolio (and other Supplementary Assets) described below,
- (b) pay costs associated with the Transaction; and
- (c) fund the initial required deposit in the Debt Service Reserve Account, a proportion of the required Budgeted Operating Expenditure in each Opex Account and, together with certain amounts to be received from the Opal Administrators pursuant to the Sale & Purchase Agreements (see the section entitled - The Property Portfolio - Acquisition from administrators), the initial Sinking Fund Required Amount in each Sinking Fund Account.

The Notes will benefit from, among other things, security granted by each AssetCo in respect of the Property Portfolio.

Property Portfolio

The Notes will benefit from security granted by the AssetCos specified below in respect of the portfolio of student accommodation properties (the **Property Portfolio**) and other assets described below, to be purchased by the AssetCos on the Issue Date (completion of such purchase being **Completion**), which are at the following cities and which serve the following English higher education institutions:

- (a) *Birmingham*: The University of Birmingham, Aston University and Birmingham City University (such student accommodation property being the **Birmingham Property**);
- (b) *London*: The University of Greenwich, Trinity Laban and Bellerby's (such student accommodation property being the **Greenwich Property**).
- (c) *Leeds*: The University of Leeds and Metropolitan University (such student accommodation property being the **Leeds 1 Property**);
- (d) *Leeds*: The University of Leeds and Leeds Metropolitan University (such student accommodation property being the **Leeds 2 Property**);
- (e) *Liverpool*: The University of Liverpool, Liverpool John Moores University and Liverpool School of Tropical Medicine (such student accommodation property being the **Liverpool Property**);

- (f) *Manchester*: The University of Manchester and Manchester Metropolitan University (such student accommodation property being the **Manchester Property**);
- (g) *Newport*: The University of South Wales (such student accommodation property being the **Newport Property**); and
- (h) *Nottingham*: The University of Nottingham (such student accommodation property being the **Nottingham Property**).

Each of the properties is referred to as a **Property** and collectively, the **Properties** and **Property University** means a relevant university in respect of the relevant Property, as the context may require, and **Property Universities** shall be construed accordingly.

Multi AssetCo will acquire each of the Birmingham Property, the Greenwich Property, the Leeds 1 Property, the Leeds 2 Property, the Liverpool Property, the Manchester Property and the Newport Property.

Single AssetCo will acquire the Nottingham Property. The Property Scheme relating to the Nottingham Property is envisaged to expire on 30 June 2040 and on the eventual expiry date, or upon any earlier termination of the Property Scheme relating to the Nottingham Property, the Nottingham Property will cease to be included within the Property Portfolio and Single AssetCo will be dissolved.

The Property Portfolio has been valued as described in the Valuation Reports, each reproduced in the section entitled *Valuation Reports*.

According to figures provided by the Opal Administrators to CLV, average occupancy over the last 3 years has been 97 per cent., across the Properties.

For further details in respect of the Property Portfolio see the section entitled *The Property Portfolio*.

Acquisition from administrators

The Properties prior to the Issue Date and their acquisition by the AssetCos have been owned by eight separate companies all of which are in administration. These companies are all wholly owned subsidiaries of Opal Property Group Limited (**Opal**) (such subsidiaries the **Opal Subsidiaries**) which is also in administration. The administrators of Opal and the Opal Subsidiaries are Ian David Green, Toby Scott Underwood and David James Kelly of PricewaterhouseCoopers LLP.

The title to the Properties (together with certain Supplementary Assets, including equipment, goodwill, contracts, moveable assets, intellectual property rights, books and records, in relation to each Property) will on Completion be transferred to the AssetCos. Title to the Nottingham Property (together with its Supplementary Assets) will be transferred to Single AssetCo and titles to the remaining seven Properties (together with their Supplementary Assets) will be transferred to Multi AssetCo. Each of the AssetCos will grant a first legal mortgage in favour of the AssetCo Security Trustee over the Property or Properties that it holds (see the section entitled *Description of the AssetCo Documents — AssetCo Mortgage* for more details).

For further details in respect acquisition from the administrators, see the section entitled *The Property Portfolio – Acquisition from administrators*.

Property Schemes and O&M Contracts

Each AssetCo is restricted by applicable planning consents (and, where applicable, by agreement with the relevant Property University) to use its Property or Properties primarily for the purpose of providing a **Property Scheme**, being the management, operation and ownership of university student accommodation using such Property (whether or not with one or more **Property Scheme Agreements** (being, the primary contractual documentation (often a nominations agreement and/or underlease), if any, between the Property University and that AssetCo in relation to the use of the Property for providing student accommodation for students attending that Property University)).

Campus Living Villages UK Limited (**CLV**) will act as operations and maintenance provider (in such capacity, together with any additional, replacement or successor entities acting as operations and maintenance providers from time to time, the **O&M Provider**) pursuant to an operations and management agreement between the O&M Provider and Single AssetCo and two separate operations and management agreements between the O&M Provider and Multi AssetCo (covering the Greenwich Property and each other Property respectively) (each an **O&M Contract**).

In this Prospectus **Property Documents** means, in relation to a Property, each document constituting, evidencing or relating to the relevant AssetCo's right, title, interest and benefit in and to and/or liabilities in relation to that Property and each document constituting or evidencing the Property Scheme in relation to that Property (including the relevant O&M Contract and, if any, each Property Scheme Agreement).

Source of funds for payments on the Notes

The primary source of funds for the payment of principal and interest on the Notes will be the right to receive rental payments and all other rental amounts received by each AssetCo (such rental amounts being the **Rental Income**) in respect of the Property Portfolio purchased by the AssetCos. Subject to the associated operating expenses of running the Property Portfolio and the Operating Account Priority of Payments, the AssetCos will be obliged to apply such rental payments in making payments of interest and repayments of principal to the Issuer in respect of the On-Loan Agreement and such payments of interest and repayments of principal will fund the Issuer's payments of interest and repayments (or prepayments) of principal under the Notes.

Rental Income in respect of each Property will be paid (in some circumstances shortly after Completion, via an Existing Property Manager (as described in the section entitled *The Property Portfolio - The O&M Contract between AssetCos and the O&M Provider*)) to an account held by the relevant AssetCo (a **Rent Collection Account**) in respect of such Property and the weekly balance of each Rent Collection Account will be transferred to a Collection Account held by each AssetCo. The Cash Administrator shall make monthly transfers, after it has transferred any required amounts to the Opex Accounts, from each Collection Account to the Operating Account to be applied in accordance with the Operating Account Priority of Payments.

Any Rent Arrears (as defined in the section *The Property Portfolio – Acquisition from administrators*) received in the Rent Collection Account shall also be transferred to a Collection Account held by each AssetCo, whereupon the Cash Administrator shall transfer such Rent Arrears to the Opal Administrators.

Security Arrangements

Issuer Security

The obligations of the Issuer under the Notes will be secured by the Issuer in favour of the Issuer Secured Creditors (the **Issuer Security**) as further described in the section entitled *Summary of Security and Enforcement Rights* below. The Issuer is a wholly owned subsidiary of HoldCo and HoldCo will grant a share charge in respect of all its shares in the Issuer and a floating charge over all of its assets (the **HoldCo Asset Charge**) in favour of the Issuer Security Trustee and form part of the Issuer Security.

AssetCo Security

Each AssetCo will also grant certain security in favour of the AssetCo Security Trustee for their obligations under the On-Loan Agreement and the AssetCo Guarantee entered into by such AssetCo (the **AssetCo Security**) as further described in the section entitled *Summary of Security and Enforcement Rights* below.

Subordinated Lender Security

Pursuant to a Subordinated Lender Deed of Charge, each Subordinated Lender will also grant in favour of the Issuer Security Trustee an assignment by way of first fixed security of its benefit under its Subordinated Loan Agreement.

Other arrangements

Cross collateralisation guarantee and cash pooling

The cross collateralisation arrangements for the Transaction consist of cash pooling of amounts received by the Issuer and limited cross-guarantees provided by each AssetCo. Each AssetCo will enter into a joint and several limited recourse guarantee (the **AssetCo Guarantee**) of the obligations of the other AssetCo under the On-Loan Agreement, whereby the claims under such AssetCo Guarantee are limited to that AssetCo Guarantor's Surplus Cash.

Debt Service Reserve Account

The Account Bank will maintain, in the name of the Issuer, a Debt Service Reserve Account for the purpose of maintaining the **Debt Service Reserve Amount**, being the amounts payable in respect of principal and interest under the Notes by the Issuer pro-rated for the following eight months and any Tax Reserve Cash Amount.

On and from the Issue Date, the Debt Service Reserve Account will be funded by the AssetCos in an amount equal to the Debt Service Reserve Amount.

See the section entitled - *Description of the AssetCo Documents — Debt Service Reserve Account*.

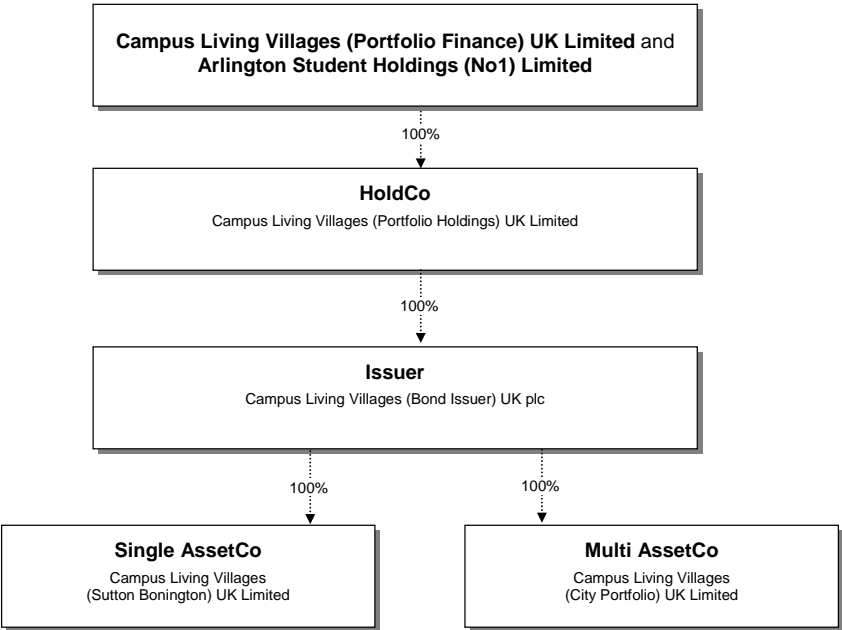
Monitoring Adviser

Bishopsfield Capital Partners Ltd. will be appointed as Monitoring Adviser on the Issue Date. The Monitoring Adviser will perform certain services in accordance with a predefined Monitoring Adviser Standard set out in the Monitoring Services Agreement, including, but not limited to:

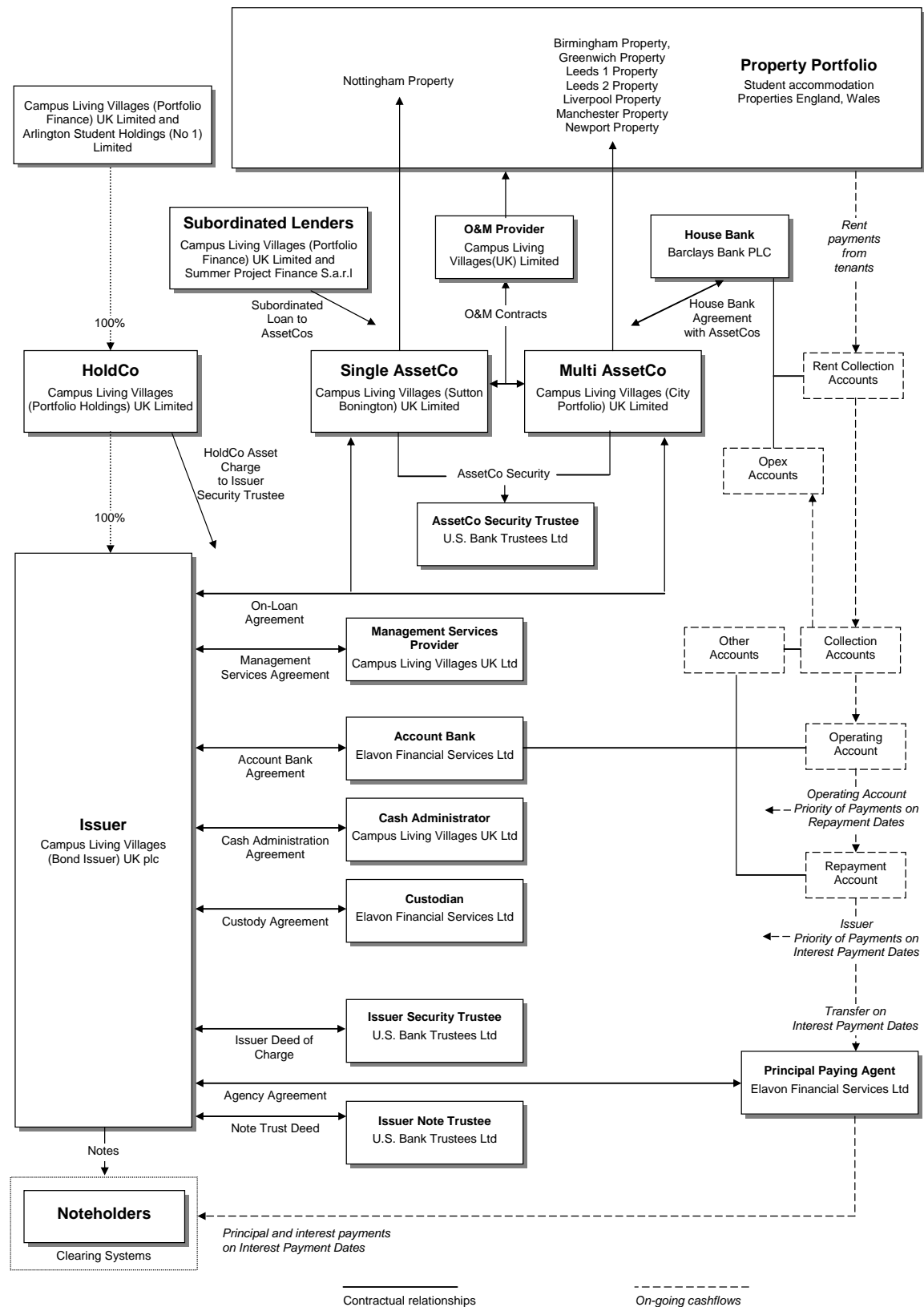
- (a) conducting regular meetings with the management team of the O&M Provider on a semi-annual basis and site visits, with full visits to each Property occurring in the first year and then on a rotating basis every 4 years and interim visits to each Property (which is not the subject of a full visit in that year) every year;
- (b) reviewing operating budgets and lifecycle budgets prepared by the Group;
- (c) providing commentary on the Compliance Certificates provided to the Noteholders;
- (d) reviewing the aggregate sufficiency of the sinking funds held by the AssetCos in the Sinking Fund Accounts;
- (e) providing recommendations to the Issuer Security Trustee in relation to any amendment, waiver, determination or consent or any other matter in connection with a Monitored Activity proposed by the Issuer which will (other than in the case of ISC Direction Matters and subject always to Entrenched Rights and Reserved Matters) be implemented unless the Noteholders disagree with any such recommendation in accordance with the terms of the Issuer Deed of Charge or the Monitoring Services Agreement (as applicable);
- (f) providing recommendations in the event of the termination of the operations and maintenance services contract (each an **O&M Contract**) between an AssetCo and the O&M Provider; and
- (g) providing monitoring services in accordance with a specified monitoring regime relating to the occurrence of specified Monitoring Trigger Events including an increased monitoring regime (including regular meetings with management) following the occurrence of certain events.

See the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement* for a more detailed description of the role of the Monitoring Adviser, including details of the Monitoring Adviser Standard.

Diagrammatic overview of the Issuer and AssetCos ownership structure



Diagrammatic overview of the Transaction



The parties and key characteristics of the Transaction

Issuer	<p>Campus Living Villages (Bond Issuer) UK plc (the Issuer), a public limited liability company incorporated under the laws of England and Wales with registered number 08865013, having its registered office at 6th Floor, One London Wall, London EC2Y 5EB. The Issuer's entire share capital is held by HoldCo.</p> <p>The Issuer is a special purpose company whose activities are limited pursuant to the terms of the Issuer Transaction Documents. Its principal activities will comprise, inter alia, issuing the Notes in accordance with the Note Trust Deed, advancing the On-Loans to the AssetCos pursuant to the On-Loan Agreement and entering into the transactions contemplated by the other Issuer Transaction Documents. See the section entitled <i>Corporate Information on the Issuer Obligors and AssetCos</i> for further details.</p> <p>The Issuer holds the entire issued share capital of each AssetCo. See the section entitled <i>Corporate Information on the Issuer Obligors and AssetCos - The Issuer</i> for further details.</p>
CLV	<p>Campus Living Villages UK Limited (CLV), a private limited company incorporated under the laws of England and Wales with registered number 06604874, having its registered office at 6th Floor, One London Wall, London EC2Y 5EB. CLV will provide management services to each AssetCo, HoldCo and the Issuer and will provide facilities management (O&M) services to each AssetCo. See the description of the O&M Contracts and Management Services Agreement in the section entitled <i>The Property Portfolio</i>; see also the section entitled <i>The CLV Group</i>.</p>
HoldCo	<p>Campus Living Villages (Portfolio Holdings) UK Limited (HoldCo), a company incorporated under the laws of Jersey with registered number 114842, having its registered office at 11 Bath Street, St Helier, Jersey, JE2 4ST.</p> <p>HoldCo is a special purpose company with limited permitted activities. HoldCo's entire issued share capital is held by Arlington Student Holdings (No 1) Limited (as to 50.00%) and Campus Living Villages (Portfolio Finance) UK Limited (as to 50.00%). HoldCo holds the entire issued share capital of the Issuer. As used herein, Issuer Obligors shall mean the Issuer and HoldCo, and Issuer Obligor shall mean any one of them. See the section entitled <i>Corporate Information on the Issuer Obligors and AssetCos — HoldCo</i> for further details.</p>
Subordinated Lenders	<p>Each of Campus Living Villages (Portfolio Finance) UK Limited and Summer Project Finance S.a.r.l (together, the Subordinated Lenders and each a Subordinated Lender) and the AssetCos will enter into subordinated loan agreements (each a Subordinated Loan Agreement) as follows:</p> <ul style="list-style-type: none">(a) Campus Living Villages (Portfolio Finance) UK Limited will advance a subordinated loan of £25,190,140 to Multi AssetCo;(b) Campus Living Villages Portfolio Finance) UK Limited will advance a subordinated loan of £3,578,017 to Single AssetCo;(c) Summer Project Finance S.a.r.l will advance a subordinated loan

of £25,190,140 to Multi AssetCo; and

- (d) Summer Project Finance S.a.r.l will advance a subordinated loan of £3,578,017 to Single AssetCo.

Each subordinated loan (a **Subordinated Loan**) will be made by way of a single advance on or before the Issue Date, which will (together with the proceeds of the On-Loans from the Issuer) provide the AssetCos with sufficient funds to purchase their Property or Properties (as applicable) and Supplementary Assets and fund the initial balance of the Debt Service Reserve Account and (together with the other amounts received by the AssetCo) each Sinking Fund Account and a proportion of the required Budgeted Operating Expenditure in each Opex Account. The Subordinated Lenders may from time to time agree to advance further amounts to the AssetCos under the Subordinated Loan Agreements. See the section entitled *Description of the AssetCo Documents — Subordinated Loan Agreements* for further details.

In addition to the Subordinated Loan Agreements, each Subordinated Lender shall also enter into a deed of charge (each charge being a **Subordinated Lender Deed of Charge**) with, among others, the Issuer Security Trustee (for itself and as trustee for the other Issuer Secured Creditors) under which it shall grant an assignment by way of first fixed security of the benefit of the Subordinated Lender under its Subordinated Loan Agreement that will form part of the Issuer Security.

AssetCos

Campus Living Villages (City Portfolio) UK Limited (**Multi AssetCo**) and Campus Living Villages (Sutton Bonington) UK Limited (**Single AssetCo**) (each, an **AssetCo** and together, the **AssetCos**). Each AssetCo is a special purpose company whose activities are limited pursuant to the terms of the AssetCo Documents and each is wholly owned by the Issuer. **Group** means HoldCo, the Issuer and each AssetCo. See the section entitled *Corporate Information on the Issuer Obligors and AssetCos* for further details.

Issuer Note Trustee

U.S. Bank Trustees Limited, whose office is at 125 Old Broad Street, London EC2N 1AR (in such capacity, the **Issuer Note Trustee**), will be appointed as trustee for the holders from time to time of the Notes pursuant to a trust deed to be dated on or about the Issue Date (the **Note Trust Deed**) between the Issuer and the Issuer Note Trustee. See the section entitled *Terms and Conditions of the Notes* for further details.

Issuer Security Trustee

U.S. Bank Trustees Limited acting through its office at 125 Old Broad Street, London EC2N 1AR will be appointed as trustee pursuant to the issuer deed of charge (the **Issuer Deed of Charge**) to be dated on or about the Issue Date between, *inter alios*, the Issuer and the Issuer Secured Creditors (other than the Noteholders) (in such capacity, the **Issuer Security Trustee**).

The Issuer Security Trustee will hold the Issuer Security to be granted by the Issuer Obligors pursuant to the Issuer Security Documents on trust for the other Issuer Secured Creditors. **Trust Documents** means the Note Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Note Trust Deed or the Issuer Deed of Charge and expressed to be supplemental to the Note

Trust Deed or the Issuer Deed of Charge (as applicable).

See the section entitled *Description of the Issuer Transaction Documents — Issuer Deed of Charge* for further details.

AssetCo Security Trustee

U.S. Bank Trustees Limited, whose office is at 125 Old Broad Street, London EC2N 1AR (in such capacity, the **AssetCo Security Trustee**) will be appointed pursuant to each debenture entered into by each AssetCo on or about the Issue Date (each an **AssetCo Debenture**).

The AssetCo Security Trustee will hold the AssetCo Security (granted pursuant to the AssetCo Security Documents) on trust for the Issuer.

Security Trustee means the Issuer Security Trustee or the AssetCo Security Trustee as the case may be and **Security Trustees** means both of them; and

Trustees means the Issuer Note Trustee and the Security Trustees, each of which is a **Trustee**.

See the section entitled *Description of the AssetCo Documents — AssetCo Debenture* for further details.

Cash Administrator

CLV has agreed to provide certain cash administration services to the Issuer in relation to monies standing to the credit of the Accounts and certain other services in accordance with a **Cash Administration Agreement**, the Account Bank Agreement and the provisions of the other Issuer Transaction Documents (in such capacity, the **Cash Administrator**).

See the section entitled *Description of the Issuer Transaction Documents — Cash Administration Agreement* for further details.

Account Bank

Elavon Financial Services Limited, U.K. Branch, acting through its specified office at 5th Floor, 125 Old Broad Street, London EC2N 1AR (the **Account Bank**) will be appointed as account bank and will maintain the Accounts (save for the Rent Collection Accounts and Opex Accounts) pursuant to an account bank agreement to be dated on or about the Issue Date (the **Account Bank Agreement**).

The Issuer and AssetCos are required to maintain the Accounts (excluding, for this purpose, the Rent Collection Accounts and Opex Accounts) with a bank whose long-term debt is rated at least A- by S&P or A3 by Moody's (or as approved by the Issuer Security Trustee).

See the section entitled *Description of the Issuer Transaction Documents - Account Bank Agreement* for further details.

House Bank

Each of the AssetCos will appoint Barclays Bank PLC (the **House Bank**), acting through its specified office at 2nd Floor, 1 St. Paul's Place, 121 Norfolk Street, Sheffield, South Yorkshire S1 2JW to act as House Bank to an account bank agreement to be dated on or about the Issue Date (the **House Bank Agreement**) to provide certain services to the AssetCos.

Each AssetCo will open and shall maintain with the House Bank the Rent Collection Accounts and the Opex Accounts as indicated in *Cash management and Priority of Payments* below.

The Issuer and AssetCos are required to maintain the Rent Collection

Accounts and Opex Accounts with a bank whose long-term debt is rated at least A- by S&P or A3 by Moody's (or as approved by the Issuer Security Trustee).

Prior to the delivery of an AssetCo Enforcement Notice or an Issuer Enforcement Notice, the House Bank shall act on the instructions of the relevant AssetCo.

See the section entitled *Description of the AssetCo Documents — House Bank Agreement* for further details.

Custodian

Elavon Financial Services Limited, U.K. Branch, acting through its specified office at 5th Floor, 125 Old Broad Street, London EC2N 1AR (the **Custodian**) will be appointed as custodian pursuant to a custody agreement to be dated on or about the Issue Date with the Issuer and each AssetCo (the **Custody Agreement**).

Pursuant to the Custody Agreement, the Custodian will, subject to receipt of such documents as it may require, open separate custody accounts (each, a **Custody Account**, consisting of the Cash Custody Sub-Account and the Cash Sub-Account) in the name of the Issuer, Single AssetCo and Multi AssetCo. The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Authorised Investments or as set out therein.

The Issuer may from time to time invest the funds held in the Debt Service Reserve Account, and the AssetCos may from time to time invest the funds held in the Reserve Accounts and the Sinking Fund Accounts, in Authorised Investments to be held pursuant to the Custody Agreement until such time as such funds are needed to make payments in accordance with the Transaction Documents.

See the section entitled *Description of the Issuer Transaction Documents — Account Bank Agreement* for further details.

Principal Paying Agent and Agent Bank

Elavon Financial Services Limited, U.K. Branch, acting through its office at 5th Floor, 125 Old Broad Street, London EC2N 1AR will provide certain services to the Issuer as principal paying agent (in such capacity, the **Principal Paying Agent**), as agent bank (in such capacity, the **Agent Bank**) pursuant to the terms of an agency agreement to be dated on or about the Issue Date (the **Agency Agreement**) between, *inter alios*, the Issuer, the Paying Agents, the Agent Bank and the Issuer Note Trustee.

See the section entitled *Terms and Conditions of the Notes* for further details.

Monitoring Adviser

Bishopsfield Capital Partners Ltd., acting through its office at 1st Floor, 200 Aldersgate, London EC1A 4HD (the **Monitoring Adviser**), will be appointed by the Issuer to perform certain monitoring and advisory services pursuant to the Monitoring Services Agreement to be dated on or about the Issue Date (the **Monitoring Services Agreement**). See the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement* for further details.

O&M Provider

CLV will provide facilities management services and operations and maintenance services to each AssetCo (in such capacity, together with

	<p>any additional, replacement or successor entities acting as operations and maintenance providers from time to time, the O&M Provider) pursuant to an operations and maintenance agreement between the O&M Provider and each AssetCo (each an O&M Contract).</p> <p>See the description of the O&M Contracts in the section entitled <i>The Property Portfolio — The O&M Contract between the AssetCos and the O&M Provider</i>.</p>
Management Services Provider	<p>CLV will act as a management services provider to provide corporate, management, transaction management and company secretarial services to the Issuer and the AssetCos in connection with their legal and other obligations pursuant to the Transaction Documents (in such capacity, together with any additional, replacement or successor entities acting as management services provider from time to time, the Management Services Provider) pursuant to a management services agreement between CLV and the Issuer and each AssetCo (the Management Services Agreement). CLV shall be the sole provider of such management services to the Issuer and each AssetCo.</p> <p>See the description of the Management Services Agreement in the section entitled <i>Description of the Issuer Transaction Documents — Management Services Agreement</i>.</p>
Arranger	TradeRisks Limited will act as the mandated arranger in respect of the Transaction (in such capacity, the Arranger).
Dealer	TradeRisks Limited will act as the mandated dealer in respect of the Transaction (in such capacity, the Dealer).
Description of the Notes	<p>£157,500,000 Secured Indexed Rate Amortising Notes due 2063 (the Indexed Notes) and £52,500,000 Secured Fixed Rate Amortising Notes due 2063 (the Fixed Rate Notes, and together with the Indexed Notes, the Notes), to be issued by the Issuer on 27 February 2014 (the Issue Date).</p> <p>The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof (the Specified Denomination). See Condition 1 (<i>Form, denomination and title</i>).</p>
Issue Price of the Notes	100 per cent. in respect of each of the Indexed Notes and the Fixed Rate Notes. The Issue Price in respect of the Notes will be payable in full on the Issue Date.
Use of proceeds	<p>The net proceeds of the issue of the Notes will be advanced by the Issuer to the AssetCos under the On-Loan Agreement and will be used by the AssetCos (with the proceeds of the equity subscription and the advance of the Subordinated Loans) to:</p> <ul style="list-style-type: none"> (a) purchase the Properties and Supplementary Assets, (b) fund transaction costs; and (c) fund the initial deposit in the Debt Service Reserve Account, the initial Sinking Fund Required Amount in each Sinking Fund Account and a proportion of the required Budgeted Operating Expenditure in each Opex Account.
Form and Status of Notes	The Notes are direct and unconditional obligations of the Issuer, secured in the manner described in Condition 3 (<i>Security, Priority and Relationship with Issuer Secured Creditors</i>). The Notes rank pari

passu without any preference or priority among themselves.

The Notes will be issued in bearer new global note form as described in *Provisions Relating to the Notes while in Global Form*.

Interest on the Notes

The Notes bear interest on their respective Principal Amount Outstanding from (and including) the Issue Date payable semi-annually in arrear on 28th February and 31st August in each year, subject to adjustment in accordance with Condition 6.5 (*Payment Business Days*) (each, an **Interest Payment Date**), with the first Interest Payment Date occurring on 31st August 2014.

Interest on the Notes will accrue in the case of an Indexed Note, at the Indexed Interest Rate, and in the case of a Fixed Rate Note, at the Fixed Interest Rate, in each case in respect of the period from (and including) the Issue Date to (but excluding) the Final Maturity Date.

For detailed information on interest payments and calculations, see Condition 5 (*Interest and other calculations*).

Taxation

All payments in respect of Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges whatsoever, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will not be obliged to pay additional amounts in respect of any such withholding or deduction.

Final redemption

Subject to the terms of Condition 7.1 (*Final redemption*), if a Class of Notes has not previously been redeemed in full, such Class will be finally redeemed at its Principal Amount Outstanding (in the case of the Indexed Notes as adjusted for indexation by the Index Ratio to the extent set out in Condition 6 (*Indexation*)) plus accrued but unpaid interest on the Interest Payment Date occurring in August 2063 (the **Final Maturity Date**).

Scheduled redemption in part

Subject to the terms of Condition 7.2 (*Scheduled redemption in part*), prior to the enforcement of the Issuer Security, the Notes shall, subject to Condition 7.1 (*Final redemption*), Condition 7.3 (*Optional early redemption*), Condition 7.4 (*Early redemption for Index Event, taxation or other reasons*), 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*) and Condition 7.6 (*Early redemption on any other prepayment of the On-Loan Agreement*), be repaid in instalments on each relevant Interest Payment Date in the amortisation amount set out opposite the relevant Interest Payment Date in the table appearing in Condition 7.2, in the case of the Indexed Notes, such instalment being as adjusted for indexation to the extent set out in Condition 6.2 (*Application of Index Ratio*)).

If any partial redemption of the Notes is made at any time otherwise than in accordance with Condition 7.2, then each Instalment Amount (as defined in Condition 7.2) which falls to be paid after the date of such partial redemption shall be reduced by a proportion of such Instalment Amount which is the same proportion as the partial redemption so made bore to the Principal Amount Outstanding of the Notes immediately prior to such partial redemption being made but after deducting any redemption made in accordance with Condition

Issuer optional early redemption

7.2 on the date such partial redemption is made.

Subject to the terms of Condition 7.3 (*Optional early redemption*), prior to the enforcement of the Issuer Security, the Issuer may (prior to the Final Maturity Date (as defined in the Conditions)) redeem (1) the Indexed Notes in whole or (2) the Fixed Rate Notes in whole or in part (but, if in part, only in respect of the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On-Loan Agreement (but excluding any prepayment following termination of the Nottingham Property Scheme Agreement)) each on an Interest Payment Date upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*) at:

- (a) in the case of the Fixed Rate Notes, the higher of their Principal Amount Outstanding and an amount calculated by discounting the remaining principal and interest payments at a rate equal to the yield on the Fixed Benchmark Gilt, together with accrued interest on the following Interest Payment Date, and
- (b) in the case of the Indexed Notes, the higher of their Principal Amount Outstanding (as adjusted for indexation by the Index Ratio as set out in Condition 6 (*Indexation*)) and an amount calculated by discounting the remaining principal and interest payments (ignoring future changes in the Index Ratio) at a rate equal to the real yield on the Indexed Benchmark Gilt, together with accrued interest (as adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) on the following Interest Payment Date.

The Issuer may not redeem any Indexed Notes in part prior to the Final Maturity Date.

See Condition 7.3 (*Optional early redemption*).

Issuer redemption for Index Events

Subject to the terms of Condition 7.4(a) (*Redemption for Index Events*), prior to the enforcement of the Issuer Security, upon the occurrence of any Index Event, the Issuer may, upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee and the holders of the Indexed Notes in accordance with Condition 15 (*Notices*), redeem all (but not some only) of the Indexed Notes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) plus accrued but unpaid interest.

Issuer redemption for Taxation reasons

Subject to the terms of Condition 7.4(b) (*Redemption for Taxation Reasons*), prior to the enforcement of the Issuer Security, if the Issuer would become obliged to deduct or withhold from any payment of interest or principal in respect of the Notes any amount for or on account of taxes or certain amounts payable or receivable by the Issuer are subject to any such withholding or deduction, the Issuer may, upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), redeem all (but not some only) of the affected Class of Notes on any Interest Payment Date at

	<p>their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Notes, in accordance with Condition 6.2 (<i>Application of Index Ratio</i>)).</p>
<p>Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement</p>	<p>Subject to the terms of Condition 7.5 (<i>Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement</i>), prior to the enforcement of the Issuer Security, following the prepayment in full by Single AssetCo of its On-Loan following the termination of the Nottingham Property Scheme Agreement, the Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (<i>Notices</i>), redeem an amount of Fixed Rate Notes at the higher of their Principal Amount Outstanding and an amount calculated by discounting the remaining principal and interest payments at a rate equal to the yield on the Fixed Benchmark Gilt together with accrued interest.</p> <p>The Fixed Rate Notes to be redeemed shall be in an amount equal to the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On-Loan Agreement.</p>
<p>Early redemption on any other prepayment of the On-Loan Agreement</p>	<p>The Issuer shall, prior to the enforcement of the Issuer Security, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (<i>Notices</i>), redeem the Corresponding Notes in whole or in part in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On-Loan Agreement at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 6.2 (<i>Application of Index Ratio</i>)) plus accrued but unpaid interest on the following Interest Payment Date in the event of prepayment of the On-Loan Agreement other than in accordance with Condition 7.5 (<i>Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement</i>).</p>
<p>Issuer Events of Default</p>	<p>Each of the events summarised below will constitute an Issuer Event of Default:</p> <ul style="list-style-type: none"> (a) default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Notes when due; (b) default is made by the Issuer in the performance or observance of any obligation (other than a non-payment referred above), under the Notes or the Issuer Transaction Documents, and except where such default is not in the opinion of the Issuer Security Trustee capable of remedy, is continuing for a period of 30 Business Days following the service of notice of default; (c) an Insolvency Event occurs in relation to the Issuer; (d) it is or will become unlawful for any the Issuer to perform or comply with its obligations under the Notes or the Transaction Documents; (e) the Issuer repudiates and refuses to acknowledge its payment

obligations under the Notes or any Transaction Document;

- (f) any Financial Indebtedness (other than the Notes) of the Issuer in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that the Issuer is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
- (g) any creditor's process on the property, undertakings or assets of the Issuer is not discharged within 30 days;
- (h) a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of any property, undertakings or assets of the Issuer;
- (i) any litigation is started against the Issuer which is reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
- (j) save for each Subordinated Lender Deed of Charge, the Issuer Security ceases to be in full force and effect, or ceases to be first ranking Security or becomes unenforceable;
- (k) the Issuer ceases to be wholly legally and beneficially owned by HoldCo (subject only to the HoldCo Asset Charge);
- (l) an adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by the Issuer in relation to the Transaction Documents which has a Material Adverse Effect; and
- (m) the occurrence of a DSCR Default Event that remains unremedied (through lack of equity subscriptions or the making of additional advances under a Subordinated Loan Agreement) for a period of 21 days following either (i) the Test Date on which the Compliance Certificate was delivered that disclosed the DSCR Default Event or (ii) the date an amended Compliance Certificate (to remedy an incorrect Compliance Certificate supplied in breach of covenant (b) above), which discloses a DSCR Default Event, was provided.

See Condition 10 (*Issuer Events of Default and Enforcement Notice*) for a full description of the Events of Defaults and their consequences.

Extraordinary Resolutions

The Note Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the modification of the Conditions, the Note Trust Deed and any other Issuer Transaction Document to which the Issuer Note Trustee is a party or in respect of which it holds security. Any modification (subject to the provisions concerning ratification and/or meetings of Noteholders as set out in Condition 14.2 (*Modification, waiver and substitution*) and the Note Trust Deed) may be made if sanctioned by a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Note Trust Deed by a majority of not less than 75 per cent. of the votes cast (an **Extraordinary Resolution**) of such Noteholders. Such a meeting may be convened by the Issuer Note Trustee or the Issuer, or by the Issuer or the Issuer Note Trustee upon the request in writing of the Noteholders holding not less than

one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the relevant outstanding Notes held or represented. Basic Terms Modifications may be sanctioned only by an Extraordinary Resolution passed at a meeting of Noteholders of the relevant outstanding Notes at which one or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one or more persons holding 25 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receiptholders and Couponholders whether present or not.

Basic Terms Modification

Any of the following proposals shall constitute a Basic Terms Modification:

- (a) to change any date fixed for payment of principal or interest in respect of a Class of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or (other than as specified in the Conditions), to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (b) to effect the exchange, conversion or substitution of a Class of Notes for, or their conversion into, shares, notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable other than pursuant to redenomination into euro pursuant to Condition 18 (*European Economic and Monetary Union*);
- (d) to alter any Issuer Priority of Payments insofar as such alteration would affect the Notes;
- (e) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend the definition of Basic Terms Modification or Condition 14.1 (*Meetings of Noteholders*).

Risk factors

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under *Risk Factors* below and include factors which may affect the Issuer's and/or HoldCo's and/or the AssetCos' ability to fulfil their obligations under the Notes and the On-Loan Agreement and the AssetCo Debenture, respectively, factors which are material for the purpose of assessing the market risks associated with the Notes, risks relating to the security for the Notes and risks relating to the market generally. See *Risk Factors* below.

Listing and admission to

Application has been made to the Irish Stock Exchange for the Notes

trading	to be admitted to the Official List and trading on its regulated market.
Rating	The Notes will not be rated on the Issue Date and the Issuer does not intend to seek a rating.
Selling restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States and the United Kingdom, and in any other jurisdiction where to do so would be unlawful see <i>Note Purchase and Sale</i> .
Governing law	The Notes, each of the Issuer Transaction Documents and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

RISK FACTORS

An investment in the Notes involves a high degree of risk. The following sets out certain aspects of the Transaction, the activities of the CLV Group, the Issuer Obligors and the AssetCos, and principal risks associated with an investment in the Notes of which prospective Noteholders should be aware. Prospective investors should carefully consider the following risk factors and the other information contained in this Prospectus before making an investment decision. An investment in the Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom.

This section of the Prospectus is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this Prospectus prior to making any investment decision. The risks described below are not the only ones faced by the CLV Group, Issuer Obligors and the AssetCos. Additional risks not presently known to the CLV Group, Issuer Obligors and/or the AssetCos or that the Issuer currently believes to be immaterial may also adversely affect its business. If any of the following risks occurs, business, financial condition or results of operations of the CLV Group, Issuer Obligors and/or the AssetCos could be materially adversely affected. In any of such cases, the value of the Notes could decline, and the Issuer may not be able to pay all or part of the interest or principal on the Notes and investors may lose all or part of their investment. Prospective Noteholders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Notes.

In addition, whilst the various structural elements described in this Prospectus are intended to lessen some of the risks discussed below for the Noteholders, there can be no assurance that these measures will ensure that the Noteholders receive payment of interest or repayment of principal from the Issuer on a timely basis or at all.

Business and regulatory risk factors

The AssetCos are exposed to demand risk and a potential fall in occupancy

The AssetCos are exposed to demand risk. Whilst some of the Property Universities will market and allocate a proportion of the accommodation available at a Property to its students who have been offered a place to study at the institution and who fulfil the criteria for such accommodation, except where there are nominations agreements in place there are no guarantees from the Property Universities that all or any of the rooms will be occupied by its students. Further, the remaining term of such arrangements with the Property Universities varies across the Property Portfolio. Each AssetCo has sub-contracted the responsibility for marketing the accommodation to the O&M Provider, and the O&M Provider will use its skill and experience to market the accommodation such that a high level of occupancy is achieved for each Property.

The AssetCos are therefore exposed to demand risk each year up to and until a student enters into a legally binding commitment to accept an offer of a room in the accommodation. For further details see the section entitled *The Property Portfolio*.

Demand for student accommodation is influenced by a number of external factors, including:

- (a) sector related factors that influence the overall numbers of students undertaking courses of study, including the funding of higher education, changes to tuition fees and the United Kingdom government's policy to drive greater competition between institutions in particular for high achieving students;
- (b) factors that influence the number of students undertaking courses of study at the relevant Property University including the relative attractiveness of the Property University compared to alternative higher education institutions;

- (c) factors affecting the specific demand for the AssetCo's accommodation, including the quality of the offerings available, the proximity of accommodation to the campus, the facilities it has to offer, as well as the price of the accommodation relative to alternatives; and
- (d) supply side factors including overall supply of alternative accommodation and the risk of increased supply over time.

In particular, where the AssetCos currently have nominations agreements in place with Property Universities these are typically for not more than one year. AssetCos also have various Property Scheme Agreements in place. There is no guarantee that the AssetCos will be able to renew such agreements each year on commercial terms, or at all.

Dependence on re-letting

The AssetCos' ability to repay its On-Loan will depend in part on the ability of the AssetCos to continue to let the Properties on economically favourable terms. As substantially all of the income from the Properties derive from rentals, the AssetCos' ability to make payments on the On-Loans could be adversely affected if occupancy levels of the Properties were to fall and/or a significant number of tenants or other occupiers were unable to meet their obligations under their leases.

Properties subject to leases (even if the subject of a nomination agreement) are generally short-term tenancies (usually up to a year) and so the relevant Properties will need to be re-let frequently. Nomination agreements may, in some circumstances, also be terminated during the life of the On-Loan Agreement either as a result of break clauses, default or expiry.

There can be no assurance that such space will be re-let or nomination agreements renewed or, if re-let or renewed, that new tenancy agreements or nomination agreements will be on terms as favourable as those currently in place or that the tenants under any new tenancy agreement or counterparties to any new nomination agreement will be as creditworthy as any tenants under existing tenancy agreements or counterparties under existing nomination agreements.

The ability to attract tenants paying rent levels sufficient to allow the AssetCos to pay amounts under the On-Loan Agreement and, consequently, the Issuer to make payments due under the Notes will be dependent, amongst other things, on tenant demand and rental levels which can be influenced by a number of factors, including relative prices of competing accommodation, availability of suitable space, demand for space and government policies on higher and further education.

The AssetCos may have to reduce rents in order to maintain occupancy levels

The implications of demand risk are that an AssetCo's Property may not be full at the rent levels set, or, in order to sustain demand, an AssetCo may have to reduce the rent to compete for students. This would impact the revenue earned by such AssetCo. An AssetCo's ability to meet its operating expenses and service its On-Loan is dependent on demand being sustained over the term of the student accommodation projects of the AssetCo and no AssetCo has any other sources of income other than the rents from occupiers of the accommodation together with, at some Properties, an ability to generate some vacation income from non-student occupation and minor ancillary income from activities such as vending machines, shop lets and laundry facilities.

Changes in university funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues

The Higher Education Funding Council for England (HEFCE) is responsible for distributing public funds to higher education institutions in accordance with agreed criteria to higher education institutions. Under the current funding arrangements, HEFCE allocates funds to universities by applying a formula to determine how much the institution requires in order to fund its activities. Universities are then able to determine exactly how to apply this funding, taking into account their own priorities but ensuring that they comply with the broad criteria set out by HEFCE, for example in relation to student numbers. Total student numbers for each Property University are therefore dependant on funding allocation from HEFCE.

HEFCE funding was reduced from the start of the 2012/2013 academic year. As a consequence, the universities' publicly funded income is becoming more dependent upon the tuition fees that it receives from students. Under the new funding arrangements, a significant proportion of public funding will go directly to students in the form of a loan from the Student Loan Company (rather than from HEFCE directly to universities in the form of a grant).

In future the level of funding provided by HEFCE will generally be based on research quality and so the ability of each Property University to receive research funding for its research from HEFCE will be influenced by its ability to carry out research recognised as internationally excellent and world-leading. For further information on changes in university funding, see the section entitled *The United Kingdom Higher Education and Student Accommodation Sector*.

It is unclear how the changes in university funding will affect overall student numbers. Any decrease in the numbers of students pursuing courses of study could have a consequent effect on the rents an AssetCo is able to collect and, as a result, affect their ability to service the On-Loans and the Issuer's ability to make payments under the Notes.

Increases in tuition fee cap funding could affect overall student numbers pursuing courses of study

Each of the universities for whom each AssetCo provides residential accommodation currently receive a significant proportion of their income from the tuition fees. In 2011/2012, existing UK/EU Students were charged up to a maximum of £3,465 per year in tuition fees by each university. For the academic year 2012/2013, universities were able to charge each new student up to a maximum of £9,000 per year in tuition fees. This increase in fees will help to counter the reduction in the level of teaching funding that each Property University will receive from HEFCE, however the capacity to off-set this fall in funding will be dependent upon the ability of each Property University to attract students. Any increase in the costs of studying may have a negative effect on student numbers and a consequent effect on the demand for student accommodation.

Change to current United Kingdom government policy on higher education could lead to amendments to, or the removal of, the tuition fee cap affecting overall student numbers pursuing courses of study

The amount that each Property University is able to charge its students is subject to any maximum amount that the government specifies and the current or future administrations may increase or decrease this amount depending upon its higher education policies. There is no guarantee that the government's approach to tuition fees, and higher education funding generally, will remain consistent. Any further increase in the level of tuition fees may affect the number of prospective students who choose to apply for a place on a course with the each Property University and therein demand for residential accommodation. For further information on changes in tuition fees, see the section entitled *The United Kingdom Higher Education and Student Accommodation Sector*.

The removal of the cap on student numbers may not take place

The Chancellor of the Exchequer announced in his Autumn Statement in 2013 that the Government plans to remove the cap on student numbers currently in force in the UK. There is no guarantee that the policy announced will be implemented in full or in the form currently announced or, if implemented, that future Government policy will not reintroduce caps on student numbers.

Demographic changes may affect demand for courses of study and accommodation of AssetCos

Demand for higher education is driven by a combination of demography and social mix. Whilst demography represents one of the key engines of growth, participation is also substantially affected by the changing social mix of the population. According to the Higher Education Policy Institute, students under 21 years old represent the dominant group in higher education. Any change in the size of this population group could have an impact on demand for higher education, the demand for student accommodation and in turn the results of operations of the AssetCos and their ability to make payments under the On-Loans.

Increased competition between universities, non-UK universities and other providers of higher education may affect the demand for the universities served by the AssetCos

Following the introduction of the new funding arrangements (see the risk factors entitled *Changes in university funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues* and *Increases in tuition fee cap funding could affect overall student numbers pursuing courses of study* for further details), the higher education sector in England and Wales has become increasingly competitive. Institutions therefore need to differentiate themselves from their competitors to establish a strong position within the sector in order to attract high numbers of students.

To ensure that institutions are focused on the provision of quality courses and facilities as well as value for money, the government have introduced a "core and margin" approach to student recruitment which may increase competition. This approach will see universities continuing to receive a "core" number of home and EU full-time undergraduate entrants based on their historic numbers.

There is a risk that overall enrolment growth could show more variability on a year to year basis going forward on the basis of these amendments and the ability of the universities served by each AssetCo to maintain their enrolment rate under the new system may have an effect on the demand for accommodation with AssetCos.

There may also be increased competition from overseas universities particularly those situated in the EU member states. Students may increasingly consider studying outside the UK, where the overall cost of a degree may be cheaper. An outflow of students to overseas universities may have an effect on the numbers seeking accommodation at the universities served by the AssetCos.

Academic reputation, quality of teaching and resources and popularity of courses may affect demand for universities served by the AssetCos

The success of each Property University in terms of student recruitment and retention and its aspirations to increase its position in national league tables will be dependent on its academic reputation, the quality of its teaching and research and the popularity of the courses it offers. It is likely, however, that student expectations will increase in line with the tuition fee cap. Quality of provision and value for money will be the drivers of student choice and future success will be based on the ability of an institution to understand a more competitive market dynamic and take best advantage of its market position. A risk may therefore exist that a Property University does not respond to this dynamic effectively, which in turn may damage its reputation and popularity with students, impacting upon student numbers for the Property University and demand for the accommodation on offer by the respective AssetCo.

Demand for AssetCo accommodation may be affected by increasing competition between operators and increasing levels of residential development

According to a Knight Frank LLP Report on the Higher Education and Student Accommodation Sector in the UK dated 4 December 2013, the student accommodation market is characterised by approximately a dozen operators of more than 5,000 rooms and whilst growth in student enrolment has continued, as supply has increased so has the level of competition between operators for students. There is a risk that increasing residential supply in some student cities could place greater pressure on price and that this may impact on the capacity of AssetCo to secure the required levels of occupancy. This in turn might affect the ability of an AssetCo to service its On-Loan and, as a consequence, on the Issuer to make payments on the Notes.

The student accommodation market continues to attract new and established developers. As a sector, higher education continues to exhibit a number of anti-cyclical characteristics and this, particularly during periods of economic downturn, may result in larger developer/operators turning to this market where other construction sectors have contracted. There is a risk that greater numbers of larger operators could enter the market with a greater capacity to deliver economies of scale, allowing them to develop significant numbers of bed spaces at lower price points.

Universities may be subject to intervention by the HEFCE and dissolution by the United Kingdom government

Each Property University is responsible to HEFCE for acting in accordance with its governance obligations, to manage itself and the money it receives appropriately and to comply with the requirements imposed on it by virtue of its exempt charitable status. Each Property University must comply with certain requirements which are specified in HEFCE's Financial Memorandum and Audit Code of Practice. As part of these obligations and before entering into new long term financial commitments, institutions must (in certain circumstances) obtain written consent from HEFCE. In addition, HEFCE may intervene in an institution's management if, in its judgement, the institution faces threats to the sustainability of its operations either now or in the medium term. The terms of the funding requirements and regulation thereof dictated by HEFCE may have an effect on a Property University's contractual obligations to an AssetCo.

In addition, the Secretary of State has the power to dissolve any higher education corporation and provide that its property, rights and liabilities (which could include its contractual obligations under the Property Framework) are transferred to another institution. To date no such dissolution has occurred, but should such an event occur, it could have a negative impact on the business of the relevant AssetCo and its ability to service its On-Loan and, as a consequence, on the Issuer to make payments on the Notes.

The AssetCos may not be able to recover its full costs of utilities

AssetCo rents are generally inclusive of utility costs. Typically, utilities are the supply of gas and/or electricity, water and sewerage infrastructure charges. The tariffs are not under AssetCo's direct control.

Where Property Scheme Agreements exist and utilities costs are included in the student rents, increases in utilities costs would be included in an AssetCo's ability to uplift the rents (typically by RPI or potentially more in some cases with university consent). (There are no mechanisms within the agreements with Property Universities that enable the automatic pass-through of increases in utility consumption and tariff to rents on an annual basis.) As such, there is a risk that the total increase in utility costs cannot be fully passed through to rent for the next rental period for the following reasons, amongst others:

- (a) the information to determine the cost variance is incomplete at the time that the rent is agreed with the Property University;
- (b) the cost of the tariff increases after the rent has been agreed;
- (c) consumption is greater than anticipated due, for example, to adverse weather conditions;
- (d) the marketplace will be unable to sustain the proposed increase directly attributable to the increase in utility costs without impacting on demand for the accommodation;
- (e) it may be agreed with the relevant Property University that any increments in costs are spread over two or more years in order to avoid 'spikes' in rents;
- (f) the O&M Provider may not be satisfying the obligations to effectively manage the consumption of utilities within the accommodation; or
- (g) the aggregate increase to rents would negatively impact on overall occupancy levels.

Restrictive covenants in the Property Scheme Agreements may not be enforceable

Only the Greenwich Property Scheme Agreement and the Nottingham Property Scheme Agreement contain restrictive covenants or contractual restrictions on the Property University's ability to enter into arrangements with third parties in respect of the provision of residential accommodation.

Under the Greenwich Property Scheme Agreement, the AssetCo's prior consent is required to the provision by Trinity Laban or any third party of student accommodation. The Greenwich Property leases also contain a restrictive covenant on the university in respect of the construction or provision

of student accommodation (although not short term hotel style accommodation for use as part of a dedicated conference facility) without the AssetCo's consent. The AssetCo's consent cannot be reasonably withheld where the student numbers exceeds the number of rooms for letting by 145% over a prescribed period.

Under the Nottingham Property Scheme Agreement, the AssetCo's prior consent is required to the provision by the Property University or any third party of student accommodation on, or within a 5 mile radius of, the campus. The AssetCo's consent cannot be withheld where the number of students exceeds 2,313 and the ratio of students in excess of 2,313 to the number of new rooms to be provided does not fall below 3:1.

There is a risk that any restrictive covenant may not be enforceable. Under UK competition law, the rules applying to commercial contracts which rendered anti-competitive terms unenforceable have, historically, not been applicable to land agreements, such as the Greenwich leases. This exemption was removed in April 2011. Although land agreements are now treated in the same way as other commercial contracts, restrictive covenants such as those described above are only capable of infringing competition law if they have a material adverse effect on competition in the relevant market. Even then, the restrictive covenant will meet the criteria for exemption and will therefore be enforceable if it produces efficiency benefits for consumers and is indispensable (i.e. no more restrictive than is strictly necessary to achieve these benefits). In the event any such restrictive covenant is not enforceable, an AssetCo may be unable to restrict a Property University from entering into agreements with third parties to build/provide additional student in direct competition with that AssetCo which may have a consequent effect on the operating revenues of that AssetCo which in turn may affect its ability to service its On-Loan and the Issuer's ability to service the Notes.

AssetCos are exposed to the risk of non-payment by a university or students

Where a Property is not subject to a Property Scheme Agreement with a Property University (such as with Manchester University) or depending on the terms of the relevant Property Scheme Agreement, an AssetCo will be dependent on the O&M Provider collecting rents directly from students. Conversely, an AssetCo may be dependent on the university collecting the rents and licence fees directly from students and then paying them to the AssetCo under a Property Scheme Agreement as rent.

An AssetCo's ability to meet all of its other financial commitments under its sub-contracts and to meet its other operating expenses, is dependent on the university or the O&M Provider collecting in those rents and paying them on the relevant payment dates to each AssetCo. Such non-payment is likely to give rise to a breach of contract claim (and potentially an event of university default) and an AssetCo could pursue a common law claim for damages from the relevant party. The AssetCo would incur litigation costs pursuing this course of action, which may or may not be recoverable depending on the outcome of the claim. There is also a delay factor, in that there is no certainty as to the timing for resolution of the claim and thus when the AssetCo would be paid, but it is unlikely to be at the time required for the AssetCo to service its Loan and the Issuer to service the Notes. In respect of the Nottingham Property Scheme Agreement, non-payment of sums due in excess of £50,000 (indexed) would give rise to an entitlement for the AssetCo to terminate the Nottingham Property Scheme Agreement against the relevant Property University. There is no guarantee that compensation on termination payments would be paid at the time and in the manner contemplated by the relevant Property Scheme Agreement or that the compensation would cover the AssetCo's financial obligations (see the section entitled *Risk Factors – Termination of the Property Scheme Agreement* (if one exists)).

In addition, the AssetCos have entered into agreements with certain universities. The revenue generated by these agreements is subject to the risk that any university cannot or may not be able to pay on time or at all. An increase in the level of defaults might impact on the revenue generated from operations as well as property valuations.

Termination and replacement of the O&M Provider may lead to increased costs

If the O&M Provider becomes insolvent or fails to provide its contracted services to each AssetCo in accordance with the agreed standards or as required by the Property Framework then the relevant AssetCo may have the right to terminate the O&M Contract (or, where the right exists in the Property Scheme Agreement between AssetCo and the Property University, be required to terminate the agreement by the relevant Property University). In that case, AssetCo will have to appoint a new O&M contractor and the price at which that replacement is prepared to provide its services may be greater than the price at which the O&M Provider was providing the services.

It may not be possible to increase rents in line with inflation; there may be a mismatch between the liabilities in respect of the Indexed Notes and indexed costs of the O&M Provider and rental income

Where there are Property Scheme Agreements with Property Universities which continue beyond 2014, there is a risk that all or part of the effects of inflation could not be passed through to student rents, even though there is typically an annual entitlement to apply RPI as part of the rent setting process and there is no restriction on non-nominated rooms. This is because the market may not be able to sustain such an increase that would, at that moment in time, adversely affect demand for the accommodation.

The payments in respect of the Indexed Notes are subject to indexation according to RPI. In addition, and the O&M Contracts for such Properties (except Greenwich) enable the O&M Provider to benchmark its services and seek an increase in its service fee. In between the benchmarking dates, the O&M Provider's fee is also increased annually by RPI. As noted above, increases in the service fee by RPI should be mirrored in increases in rents by RPI. Although any increase the rents above RPI to reflect an increase in the operating costs would typically need university consent. Therefore, the AssetCo could be left paying these additional costs to the O&M Provider without being able to recover them under the rents.

Increases in overall operating expenditure will impact on AssetCo's financial performance, if it is unable to pass those costs through to rents

The principal operating expenditure is facilities management fees payable to the O&M Provider (subject to adjustment as described above), insurances and utilities. The O&M Provider is entitled to annual increases in its contract price for specified items, linked to the RPI, and the AssetCos cannot directly control other costs (such as insurance and utilities). However, the Management Fee is also determined by reference to a percentage of gross operating profit of the AssetCo and therefore the O&M Provider has a direct incentive to perform. Accordingly, if overall operating expenditure increases and the liabilities in respect of the Indexed Notes increase through indexation and those increases cannot be passed through to rents, this may affect an AssetCo's ability to pay interest and/or principal due under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions under the Notes.

Termination and replacement of the Management Services Provider may lead to increased costs

If the Management Services Provider becomes insolvent or fails to provide its contracted services to the HoldCo, AssetCos and the Issuer in accordance with the agreed standards or as required by the Management Services Agreement then the AssetCos and/or the Issuer may terminate the agreement. In that case, the AssetCos, HoldCo and the Issuer will have to appoint a new contractor to act as Management Services Provider and the price at which that replacement is prepared to provide its services may be greater than the price which the Management Services Provider was providing the services.

Operational risk

Operational risks may result from major systems failure or breaches in systems security (although, in the case of the O&M Provider, it has prepared business continuity plans in order to mitigate against this, it is dependent upon its technology in order to deliver business processes) and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism. These events could result in financial loss to the AssetCos and hence the Issuer.

Litigation risks

From time to time, an AssetCo may become involved in litigation as part of the ordinary course of its business. There can be no assurance that it will be successful in defending or pursuing any such actions, for example in relation to public and employee health and safety or claims for loss or damage.

Currently neither of the AssetCos are parties to or are aware of any actual or threatened proceedings, nor are they contemplating commencing any proceedings against any third parties.

Risks associated with buying a business in administration

The Opal Subsidiaries are in administration and this has an impact on the nature of the transaction with the AssetCos. In particular, in common with market practice, the Opal Administrators will not provide any warranties and indemnities to the AssetCos about the ownership or title to the Properties and the Supplementary Assets. Due diligence has been undertaken in relation to the Properties in relation to title and on the existing management arrangements in relation to each Property and to the extent applicable, the construction documentation affecting the Properties. However, there can be no guarantee that all relevant information about the Properties has been provided to CLV Group or the AssetCos. In the event that there are liabilities (such as environmental liabilities or latent liabilities) connected to the Properties, any other assets being transferred or the employees being transferred, these liabilities could transfer to the AssetCos. In such circumstances the AssetCos would not have any recourse against the Opal Administrators or Opal Subsidiaries in respect of such liabilities.

Property and related risks

Alternative uses may require significant capital expenditure by AssetCos and may require appropriate planning consents

The contractual relationship between a Property University and the corresponding AssetCo (the **Property Framework**) in relation to a Property, if applicable, contemplates that persons other than students can occupy the accommodation if there is insufficient demand from students. Whilst the Property Framework generally permits such alternative users to occupy the rooms, this will depend on demand from other classes of occupier whose occupation is compatible with the current configuration of the accommodation. If the accommodation were to be converted to some other broader residential use that may require significant capital expenditure or a change in planning use. In the case of planning, there is no guarantee that a planning application for a different or broader use would be granted.

AssetCos are exposed to compulsory purchase order risks

Any property in the United Kingdom may at any time be compulsorily acquired by a **Governmental Authority** (being any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government) 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.

As a general rule, if an order is made in respect of all or any part of a property, compensation would be payable on a basis equivalent to the market value of the owners' interests in the 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 compensation, although advance interim payments of compensation may be available where the acquiring authority takes possession before compensation has been granted.

It is possible that a compulsory purchase order may be made in respect of one or more of the properties held by an AssetCo in the future. In such event, there is no guarantee that the amount of compensation received in connection with any compulsory purchase order of such a property would

not have an adverse effect on the ability of the AssetCo to make payments under the relevant On-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 Notes.

As at the date of this Prospectus, none of the properties held by the AssetCos are subject to any compulsory purchase orders.

AssetCos are exposed to environmental risks

Various laws may require a current or previous owner, occupier or operator of property to investigate and/or clean-up hazardous or toxic substances or releases at or from such property. These owners, occupiers or operators may also be obliged to pay for property damage and for investigation and clean-up costs incurred by others in connection with such substances. Such laws typically impose clean-up responsibility and liability having regard to whether the owner, occupier or operator knew of or caused the presence of the substances. Even if more than one person may have been responsible for the contamination, each person coming within the ambit of the relevant environmental laws may be held responsible for all of the clean-up costs incurred.

If an environmental liability arises in relation to the properties held by an AssetCo and it is not remedied, or is not capable of being remedied, this may result in such properties either being sold at a reduced sale price or becoming impossible to sell. In addition, third parties may bring legal proceedings against a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site. These damages and costs may be substantial. In addition, the presence of substances on a property could result in personal injury or similar claims by private plaintiffs or pursuers. Any such liability could have an adverse effect on the ability of an AssetCo to make payments under an On-Loan and affect the resources of the Issuer available to make payment on the Notes.

AssetCos are exposed to health and safety risks

Changes to health and safety legislation could have an adverse impact on AssetCo's business and require unplanned and unbudgeted capital expenditure to ensure compliance. In addition, non-compliance by an AssetCo may result in prosecution and fines by the Health and Safety Executive (HSE).

One area of importance is the regulation of houses in multiple occupation (also known as HIMO). HIMO regulation was introduced in 2006 to improve the quality of existing private rented stock both in terms of physical condition and management. The regulation falls on local authorities to licence HIMOs, and should the regime extend to AssetCo's accommodation this would result in an additional compliance burden it does not currently undertake.

AssetCos are exposed to insurance risk

Under the Property Scheme Agreements with the Property Universities, each AssetCo is required to procure that insurance against certain specified commercial and property risks is maintained with respect to those Properties in accordance with the terms set out in the relevant Property Scheme Agreement. This is typically buildings or property damage insurance or may prescribe perils to be insured, such as fire, storm, tempest and flood etc.

Certain types of losses may not be insurable or economically insurable at that time (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures). In most properties held by the AssetCos, the AssetCos take the risk of damage by uninsured risks. The existence of insurance does not guarantee that it will be possible to obtain any planning consent necessary to reinstate the affected buildings, or that insurances will in practice be available for the whole reinstatement period in relation to loss of rent. For further details on the insurance arrangements in relation to the AssetCos, see the section entitled *The Property Portfolio — O&M Provider's approach to operating the Properties — Insurance*.

AssetCos may include properties with latent defects

The Properties may have a latent design defect which has not yet come to light and could require capital expenditure to remedy the defect which is not currently budgeted for. Normally, when a new building is procured under a construction contract, the relevant building contractor will be obliged to maintain professional indemnity insurance and the costs of remediation may be recovered from the building contractor or its insurers. However, as noted below in respect of each Property, the AssetCos will benefit from a limited number of collateral warranties from the original building contractors, architects or engineers, because many of the construction parties are insolvent. This will restrict the AssetCos' ability to claim successfully against those parties for the costs of remedying any latent defects.

In the case of the Newport Property, Multi AssetCo is aware of potential latent design defects that may require remediation. It is understood that following heavy rain, water enters the Property through the man hole in the reception and through splits in the external render and between the inner and outer reception doors. The cause of such water ingress is not fully understood and the cost of any remedial works that may be necessary has not been ascertained. Multi AssetCo does not have a copy of the building contract for the construction works at the Newport Property and therefore would be unable to require the contractor to return to the site to remedy the defects. As a result, it is anticipated that any such remedial works would be at the expense of Multi AssetCo.

The recovery of the costs of remediation is a business risk and would not generally relieve the relevant AssetCo from its obligations to keep the buildings in a good state of repair and condition. The presence of latent defects is not a risk which is passed down to the O&M Provider through the O&M Contract. In the event that a latent defect requires significant capital expenditure and/or an AssetCo is unable to recover the costs of remediation from other sources, such expenditure could have an effect on the resources available to that AssetCo to make payments under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions on the Notes.

Sinking funds established by AssetCos may prove to be insufficient

Under the Greenwich Property Scheme Agreement and Nottingham Property Scheme Agreement, the AssetCos are required to have sinking funds in place, with prescribed balances to pay for the renewal and replacement works.

In addition to complying with the above, Multi AssetCo has made provision for the renewal and maintenance of various building components/fabric over the life of the relevant Property Scheme. These amounts have been assessed by reference to building conditions surveys and/or the anticipated life cycle of the specified materials in relation to new build projects. Although these assumptions have been independently opined upon, the adequacy of the sinking fund may over time prove to be less than required for the following reasons, among others:

- (a) the original assumptions may prove to be incorrect over the anticipated life of the relevant Property Scheme;
- (b) obsolescence of a product or individual components, which could not have been reasonably foreseen;
- (c) the use of the building is not in accordance with the assumptions reported on and has led to greater wear and tear; or
- (d) partial or non-recovery of damage rectification costs through the incorrect application of the damage deposits could mean that sinking fund monies are utilised prior to the planned replacement/renewal.

In the event a sinking fund proves insufficient, the relevant AssetCo may need to fund renewal and maintenance works from other sources which could have an effect on the resources available to that AssetCo to make payments under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions on the Notes.

Risks associated with limited investigation of title to properties

Investigation of AssetCo's title to its leasehold interest in each Property Scheme (where relevant) has been limited to the preparation of a certificate of title by Osborne Clarke. No updated investigation has been undertaken of the underlying freehold out of which any leasehold interest has been granted. Accordingly there is a risk that there are unknown title restrictions which could affect the operation and use of the accommodation for its intended purpose.

Risks associated with the access to the Manchester Property

The car park at the Manchester Property is accessed via a private road (the **Access Road** which forms part of the title of the adjoining property, which is owned by a group company of the current owner of the Manchester Property (the **Access Road Owner**). There are no rights which currently permit access to the car park over the Access Road. A deed of easement which permits access over the Access Road for the benefit of the Manchester Property for all purposes and at all times is required in order to ensure that the car park can be accessed and the Manchester Property adequately serviced.

If a deed of easement is not completed prior to the Issue Date by Multi AssetCo, then the Access Road Owner will need to be approached and a request made for a deed of easement. The Access Road Owner may demand payment for granting these rights and completing a deed of easement, which need not be a reasonable amount and is not limited, or could refuse to grant the deed of easement entirely. If the Access Road Owner refuses to grant a deed of easement then there would be no way of accessing the car park at the Manchester Property other than by foot from the building itself.

The car park would not be capable of use as there would be no right for vehicles to enter or leave the car park and the only way of accessing the Manchester Property would be via the pedestrian entrances which adjoin the adopted highway known as Rusholme Place. This would also mean any servicing or deliveries to the Manchester Property could only be made via these pedestrian entrances too. The Opal Administrators will deposit an amount of £1,550,000 into an escrow retention account to be held by Osborne Clarke on terms such that the deposited amount will be released and may be retained by the Opal Administrators upon either (a) the delivery to Multi AssetCo of a binding and enforceable right of access to the rear of the Manchester Property; or (b) the grant of planning permission and selection of a contractor to carry out works for an alternative access at the Manchester Property in each case on or before 31 December 2014. In the event that planning permission for an alternative access is obtained before 15 September 2014, a sum in respect of the cost of the works (including any costs arising from any s.106 agreements) and the diminution in value of the Manchester Property caused by the loss of rooms (to be calculated at a rate of £51,000 per room) will be released from the escrow retention account and paid to Multi AssetCo.

Real estate valuations may fall

The Properties have been valued by Savills in accordance with the RICS Valuation Professional Standards (2012) (Red Book).

The valuations of the Properties speak only as of their valuation date, and the value of the Properties may fall. This may be as a result of a reduction in the occupying and/or rental rates achievable in respect of certain or all properties increases in costs (including interest rates), or of other factors. These factors may include general economic conditions, such as the availability of credit finance and the performance of the UK economy, or particular local factors such as competition. Further, the valuation of real estate is inherently subjective and based on assumptions that may prove to be inaccurate. There can be no guarantee that any sale of any properties will necessarily realise the value at which such property is held in the AssetCo's accounts.

There can be no assurance that the market value of the Properties will continue to be valued at a level equal to or in excess of such current valuations. To the extent that the value of any of the Properties fluctuates, there is no assurance that the aggregate of the value of the Properties will remain at least equal to or greater than the unpaid principal and accrued interest and any other amounts due under the On-Loan Agreement. If any Property is sold following an Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full the amounts advanced against that Property.

Risks relating to the financial structure

Limited resources of the Issuer, HoldCo and the AssetCos

Each of the Issuer, the HoldCo and the AssetCos is a newly incorporated a special purpose vehicle with no business operations other than the Transaction described in this document.

The ability of the Issuer to meet its obligations under the Notes and its ability to pay its operating and administrative expenses will depend primarily on the receipt by it of funds from the AssetCos under the On-Loan Agreement and any reserve accounts held by the Issuer.

Other than the foregoing, prior to enforcement of any security, the Issuer will not have any other funds available to it to meet its obligations under the Notes. If the resources described above cannot provide the Issuer with sufficient funds to enable the Issuer to make the required payments on the Notes, the Noteholders may incur a loss of interest, principal and/or premium (if any) which would otherwise be paid in accordance with the terms and conditions of the Notes.

If, on default by the Issuer and/or AssetCos and following the exercise of all available remedies in respect of the On-Loan and the associated security, the Issuer does not receive the full amount due from the AssetCos, then the Noteholders may receive on redemption an amount less than the then Principal Amount Outstanding of their Notes and the Issuer may be unable to pay in full interest due and accrued on the Notes.

The AssetCos' ability to meet their obligations in respect of the On-Loan Agreement will depend entirely on the performance of the Property Portfolio and they may not be able to generate sufficient cash flows to meet such obligations

Each AssetCo's ability to meet its scheduled payment obligations under the On-Loan Agreement will depend upon the financial condition and performance of such AssetCo's business and their general financial condition and operating performance, which in turn will be affected by the university accommodation sector, general economic conditions and by financial, competitive, regulatory and other factors beyond their control. Future performance of an AssetCo's business may not be similar to the performance results of operations to date described in this Prospectus.

Termination of the Property Scheme Agreement (if one exists)

In respect of the Greenwich Property Scheme Agreement, the Birmingham Property Scheme Agreement, the Liverpool Property Scheme No.1 Agreement and the Leeds 1 Property Scheme Agreement, if Multi AssetCo is in material breach of its obligations under the relevant Property Scheme Agreement (or if Multi AssetCo becomes insolvent, including the appointment of an administrator or any steps are taking leading to an analogous insolvency event) the relevant Property University may terminate such Property Scheme Agreement. (In respect of the Leeds 1 Property Scheme Agreement this is extended to cover any persistent breach by Multi AssetCo.)

In respect of the Nottingham Property Scheme Agreement, the relevant Property University can terminate the Property Scheme Agreement if Single AssetCo becomes insolvent (including the appointment of an administrator or any steps are taken leading to an analogous insolvency event). In addition in the Nottingham Property Scheme Agreement, there is an extensive list of Single AssetCo defaults in respect of which the Property University can terminate the Nottingham Property Scheme Agreement. These include change of control without prior approval, breach of the assignment provisions, non-payment, failure to insure and specified performance defaults. Further, in relation to the Nottingham Property Scheme Agreement, the relevant Property University can terminate the Property Scheme Agreement on a *no fault* basis if the Property University ceases to occupy the whole of the Nottingham Property and following the occurrence of a corrupt gift/fraud.

Except for the Nottingham Property Scheme Agreement as set out below, there are no express rights for the AssetCos to claim compensation from the Property Universities in the event of termination of a Property Scheme Agreement. In the event termination is due to a default of a Property University, Multi AssetCo may have common law rights to recover its losses from the Property University by way of a damages claim for breach of contract and will be subject to the risks of successfully pursuing a

claim against the relevant Property University and that the relevant Property University may be unable to pay any damages upon a successful claim.

Further information on the termination provisions applicable to the Property Scheme Agreements are set out in the section entitled *The Property Portfolio — Property Scheme specific summaries*.

In respect of the Nottingham Property Scheme, Single AssetCo is exposed to the risk that the Property University may not be able to pay compensation on termination, may choose not to terminate following a Single AssetCo default or that the amount of any compensation on termination paid by that Property University is insufficient

Under the Nottingham Property Scheme Agreement, the Property University can elect to pay compensation in the event of termination due to (a) Single AssetCo default, (b) Property University default or *no fault* (where the Property University ceases to occupy the whole Nottingham Property), or (c) following the occurrence of a corrupt gift. Alternatively, the Property University may elect to pay no compensation and leave Single AssetCo with the benefit of the leases. In such circumstances, the Property Scheme would continue and Single AssetCo would remain entitled to make the accommodation available to students of the Property University but without the benefit (or restrictions) of the Nomination Agreement. Further, in the event of a termination following default by Single AssetCo, the Property University may also elect to terminate the lease relating to the refurbished blocks (only) and pay compensation on that terminated lease (only) and leave the two remaining new build leases with Single AssetCo.

Where the Property University has elected to pay compensation, Single AssetCo has the option to find a suitable alternative property to substitute the Nottingham Property Scheme. Should Single AssetCo fail to do so within two years from the date of termination of the leases, then Single AssetCo will be required to prepay its On-Loan to the Issuer, and the Issuer shall be required to prepay an amount of the Notes as described in Condition 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*).

If the Nottingham Property Scheme Agreement terminates and the Property University elects to pay compensation, there is a risk that the Property University may be unable to pay the compensation amount. If a Property University fails to pay compensation, Single AssetCo would retain its interest in the headlease and continue to let the accommodation until such time as either the Property University was in a position to pay the compensation or the expiry of the lease.

Details of the basis on which any compensation payment is to be made by the University of Nottingham are set out in the section entitled *The Property Portfolio - Property Scheme specific summaries*.

The Monitoring Adviser will make certain binding decisions on the basis of negative consent

If the Issuer wishes to propose any amendment, determination, waiver or consent in connection with any Monitored Activity, the Issuer shall first notify the Issuer Security Trustee, the Monitoring Adviser and, if the Issuer believes the MA Proposal Request to be an MNR Direction Matter, the Majority Noteholder Representative of the terms of such proposed amendment, waiver or consent request (the **MA Proposal Request**). The Monitoring Adviser shall notify the Issuer Security Trustee of its recommendation to approve or reject the MA Proposal Request and, if applicable, any conditions to such approval (the **Monitoring Adviser Recommendation**). If the Monitoring Adviser Recommendation relates to a matter which is not an ISC Recommendation Matter or an ISC Direction Matter (such matter an **MNR Direction Matter**), the Majority Noteholder Representative may within two Business Days of receipt of the Monitoring Adviser Recommendation, direct the Issuer Security Trustee to accept or reject the MA Proposal Request. However, if no direction is received from the Majority Noteholder Representative within such two Business Day period, the Issuer Security Trustee shall follow the Monitoring Adviser Recommendation. Accordingly decisions relating to MNR Direction Matters which are binding on the Noteholders (subject to such decisions (a) with regard to the Issuer Security Trustee, not imposing any more onerous obligations on (or exposing it to any liability) the Issuer Security Trustee without adequate indemnification and/or security or pre-funding to its satisfaction or (b) not adversely affect the Issuer Security Trustee's duties, obligations, liabilities

or protections under the Transaction Documents) will be made by the Monitoring Adviser (by the Issuer Security Trustee following the Monitoring Adviser Recommendation) on behalf of the Issuer Secured Creditors if the Majority Noteholder Representative fails to otherwise instruct the Issuer Security Trustee within such two Business Day period. ISC Recommendation Matters will be approved or rejected based on the Monitoring Adviser Recommendation unless on the expiry of the ISC Voting Period (which will be between 10 and 15 Business Days, depending on the nature of the MA Proposal Request) the Issuer Security Trustee has received votes from Noteholders representing at least 50 per cent. of the then Principal Amount Outstanding of the Notes, rejecting the Monitoring Adviser Recommendation. Only ISC Direction Matters will be subject to prior approval by Noteholders. There is a risk that the Noteholders may disagree with a Monitoring Adviser Recommendation relating to a matter which is not an ISC Direction Matter made by the Monitoring Adviser which Monitoring Adviser Recommendation will be binding on such Noteholders, the other Issuer Secured Creditors and the Issuer unless sufficient Noteholders vote to reject such Monitoring Adviser Recommendation. See the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement* for further details.

The Monitoring Adviser is reliant on the provision of information to it and, in the absence of sufficient information, may decline to act or make conditional recommendations

The Monitoring Adviser is reliant on the provision of information from the Issuer and each AssetCo and advisers in relation to the performance of its Monitoring Services, including the decision making process referred to above. In the absence of sufficient information or advice, the Monitoring Adviser may decline to act in relation to a MA Proposal Request or otherwise and may provide a conditional Monitoring Adviser Recommendation. See the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement* for further details.

Failure to replace the Monitoring Adviser may have an adverse effect on the decision making processes in relation to the Notes and, accordingly, the business of the AssetCos

If the appointment of the Monitoring Adviser is terminated at any time and a replacement monitoring adviser has not been appointed by the effective date of such termination, any MA Proposal Request which subsequently must be approved or rejected would be subject, prior to the appointment of a replacement Monitoring Adviser, to voting by Noteholders. There can be no assurance that in those circumstances that voting by Noteholders would constitute an effective decision making process in relation to such matters and accordingly the business of the AssetCos may be adversely affected. See the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement* for further details.

Monitoring of compliance with warranties and covenants and the occurrence of Monitoring Trigger Events, Loan Event of Defaults or Potential Loan Event of Defaults

Each of the Trustees and the Monitoring Adviser will be entitled to assume that no Issuer Event of Default, AssetCo Event of Default, Monitoring Trigger Event or Lock-Up Event has occurred which is continuing and none of the Trustees will itself be responsible for monitoring the activities of the Issuer Obligors or AssetCos in anyway.

Accordingly, it will fall to the Issuer Obligors themselves to make these determinations, subject to the terms of the Monitoring Services Agreement. In this context, a number of these representations, warranties, covenants, undertakings and Events of Default will be qualified by reference to a relevant fact, matter or circumstance having a Material Adverse Effect. Whilst the criteria set out in the definition of Material Adverse Effect are on their face objective, it will fall to the Issuer Obligors themselves to determine whether or not the relevant fact, matter or circumstance falls within any of the criteria and, as such, the determination will be subjective for so long as such determination is made by the Issuer Obligors.

However, the Common Terms Agreement will require the Issuer Obligors to give written notice to the relevant Security Trustees or the Issuer Note Trustee as applicable of the occurrence of any Issuer Event of Default, AssetCo Event of Default, Monitoring Trigger Event or Lock-Up Event promptly upon becoming aware of the same. In addition, the Issuer Obligors are required to confirm in each

Compliance Certificate, each of which will be delivered to, among other recipients, the Issuer Security Trustee and the Issuer Note Trustee whether or not any Issuer Event of Default, AssetCo Event of Default, Monitoring Trigger Event or Lock-Up Event has occurred (and, if one has, what action is being, or proposed to be, taken to remedy it). Failure promptly to identify an Issuer Event of Default, AssetCo Event of Default, Monitoring Trigger Event or Lock-Up Event could have a material adverse effect on Noteholders' abilities to recover the full amount under the Notes.

Power of Issuer Security Trustee and Issuer Note Trustee to approve amendments without Noteholder consent

The relevant Issuer Obligors, may request the Issuer or the Issuer Security Trustee as applicable to agree to any modification to, or to give its consent to any event, matter or thing relating to, or grant any waiver in respect of, the Transaction Documents without any requirement to seek the approval of any Noteholder in respect of a Discretion Matter.

The Security Trustees are entitled to exercise discretion to approve a Discretion Matter if in the opinion of the relevant Security Trustee, approval of the Relevant Proposal (a) is required to correct a manifest error or is of a formal, minor or technical nature or (b) is not materially prejudicial to the interests of Noteholders (where materially prejudicial means that such modification, consent or waiver would have a material adverse effect on the ability of each Issuer Obligor to perform its payment obligations to the Noteholders under the Issuer Transaction Documents). The relevant Security Trustees are not obliged to exercise their discretions and, if they choose not to do so, the voting category selection procedures set out in the Common Terms Agreement and the Issuer Deed of Charge and described in the section entitled *Description of the Issuer Transaction Documents* below, will apply.

The Issuer may also request the Issuer Note Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of the Issuer Transaction Documents (subject as provided in the Common Terms Agreement and the Issuer Deed of Charge) without the consent or sanction of the Noteholders, the Receiptholders or the Couponholders of any Class or (subject as provided below) any other Issuer Secured Creditor.

The Issuer Note Trustee may (subject to certain conditions and to the rights of any other Issuer Secured Creditors, if applicable), without the consent or sanction of the Noteholders concur with, or instruct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making:

- (a) any modification to the Conditions or the Issuer Transaction Documents (subject as provided in the Issuer Deed of Charge) or any other document to which it is a party or in respect of which the Issuer Security Trustee holds security if, in the opinion of the Issuer Note Trustee, such modification is made to correct a manifest error or is of a formal, minor or technical nature; or
- (b) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Issuer Transaction Document (subject as provided in the Issuer Deed of Charge) or other document to which it is a party or in respect of which the Issuer Security Trustee holds security,

if the Issuer Note Trustee is of the opinion that such modification is not materially prejudicial (where **materially prejudicial** means that such modification, consent or waiver would have a material adverse effect on the ability of the Issuer to perform its payment obligations to the Issuer Secured Creditors under the Issuer Transaction Documents) to the interests of the Noteholders *provided that* to the extent such modification under (b) above relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

The Issuer Note Trustee may (subject to certain conditions and to the rights of any other Issuer Secured Creditors, if applicable), without prejudice to its rights in respect of any subsequent breach or Issuer Event of Default, from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise (or instruct the Issuer Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Conditions or any Issuer Transaction Document (other than a Common Document) to which it is a party or in respect of which it holds security or determine

that any event which would otherwise constitute an Issuer Event of Default shall not be treated as such for the purposes of the Note Trust Deed *provided that* to the extent such event, matter or thing relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent. There can be no assurance that any modification, consent or waiver in respect of the Transaction Documents will be favourable to all Noteholders. Such changes may be detrimental to the interests of some or all Noteholders.

Interest rate risks

The Fixed Rate Notes bear interest at a fixed rate and therefore involve the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Hedging risks

The Issuer will issue the Fixed Rate Notes and the Indexed Notes and the AssetCos do not intend to take any further steps to manage the risks associated with the mismatch between its RPI linked income and Fixed Rate Note obligations or between its other income and the Indexed Notes. Specifically, the Issuer and the AssetCos do not intend to enter into any hedging arrangements, and will be prohibited from doing so under the term of the Transaction Documents. Accordingly, the funds available to the Issuer may be insufficient to meet its obligations in full as a result of adverse fluctuations in the rate of inflation or the making of any termination payment to the counterparty.

Leverage risk

The Issuer Obligors will have, following the Issue Date, a substantial amount of outstanding indebtedness with significant debt service requirements. This significant leverage could have important consequences including the risk of an Issuer Obligor failing to generate sufficient revenue to meet debt service payments in full and increasing the Issuer Obligors vulnerability to a downturn in their business or the student accommodation sector which may, in turn, lead to the occurrence of an Issuer Event of Default or an AssetCo Event of Default.

Conflicts of interest

Subject to any provisions in the Transaction Documents, there are no restrictions on CLV or the O&M Provider or its affiliates managing or owning properties similar to, or which compete with, the Properties. Consequently, conflicts of interest may exist or may arise as a consequence of CLV owning such properties.

Tax risks

Withholding Tax in respect of the Notes

In the event that any withholding or deduction for or on account of United Kingdom tax is required to be made from payments in respect of the Notes (as to which see the section entitled *Tax Considerations — Payment of interest on the Notes*) neither the Issuer nor any other person will be obliged to pay any additional amounts to Noteholders.

If such a withholding or deduction is required to be made for or on account of any United Kingdom tax, the Issuer shall use its reasonable endeavours to mitigate the effects of such withholding or deduction. If the Issuer is unable to mitigate effectively or if to do so would not avoid such withholding or deduction then on any Note Payment Date pursuant to and in accordance with Condition 7.4(b) (*Redemption for Taxation Reasons*) the Issuer may redeem (without premium or penalty) all (but not some only) of the relevant Class Notes (in each case) at their Principal Amount Outstanding, together with accrued but unpaid interest on the Principal Amount Outstanding (each adjusted, in the case of Indexed Notes, in accordance with Condition 6.2 (*Application of Index Ratio*)).

Withholding Tax in respect of the On-Loan Agreement

The Issuer has been advised that, under current law, all payments to be made to it by the AssetCos pursuant to the On-Loan Agreement can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that any such withholding or deduction for or on account of United Kingdom tax is required to be made from any payment due from an AssetCo to the Issuer

under the On-Loan Agreement the amount to be paid should be increased to the extent necessary to ensure that, after withholding or deduction has been made, the amount received by the Issuer is equal to the amount that the Issuer would have received had such withholding or deduction not been required to be made. If an AssetCo does not have sufficient funds to enable it to make increased payments to the Issuer or is not otherwise required to gross-up, the Issuer's ability to make timely payments of interest and principal under the Notes could be adversely affected.

Taxation of the AssetCos

Under current United Kingdom taxation law and practice, rental income received by the AssetCos will constitute taxable income for United Kingdom corporation tax purposes. In general, interest costs of the AssetCos associated with their borrowing under the On-Loan Agreement should, under current law and practice, be deductible, broadly in accordance with their accounting treatment, from that taxable income in computing the liability to corporation tax of those companies. However, repayment of the principal amounts borrowed by the AssetCos cannot be deducted. As a consequence, unless the taxable income of the AssetCos can itself be reduced or eliminated as a result of the availability of other tax reliefs, part of the rental income received by the AssetCos which would otherwise be available to repay principal will be required to be applied to discharge the corporation tax liabilities, resulting in a possibility of the Issuer having insufficient resources to meet its obligations under the Notes. The directors of the AssetCos believe that, on the basis of the planned activities of the CLV Group, there should be sufficient rental receipts on an after tax basis to enable the AssetCos to meet their payment obligation under the On-Loan Agreement in full.

Further to the above, there is the potential of an HMRC challenge to each of the following; the deductibility of the subordinated debt interest in the AssetCos, the capital allowances and wear and tear allowances claims which will in due course be made by the AssetCos in their tax computation, the use of trapped losses in one AssetCo which cannot be surrendered to the other AssetCo, that certain transaction costs and remedial costs currently deducted in the model may be disallowed.

As noted below (see the risk factor entitled *Change of law* below), there can be no assurance that United Kingdom taxation law and practice will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of the AssetCos to repay amounts of principal under the On-Loan Agreement. If, in turn, the Issuer does not receive all amounts due from AssetCos under the On-Loan Agreement, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes.

SDLT

The AssetCos are claiming partial relief from Stamp Duty Land Tax ("SDLT") on their acquisition of the Properties. The relief is claimed on the price attributable to those areas that are "dwellings" (as defined for the purposes of the relief). The total price has therefore been apportioned for these purposes between the areas that are dwellings and the areas that are not dwellings. While the apportionment is based on objective criteria, it is possible that HMRC could challenge the apportionment, and consequently the SDLT paid, and that the SDLT could be increased as a result. It is envisaged that any such additional SDLT will be funded from additional equity subscriptions or the making of additional advances under a Subordinated Loan Agreement.

Taxation of Issuer

The taxable profits in Issuer should be primarily the financing income receivable from under the On-Loan Agreement less the financing costs payable on the bond. These should mirror each other. The UK corporation tax treatment of these amounts should follow the accounting treatment provided certain conditions are met. Should these conditions change, the accounting treatment would be affected and thereby tax recognition could change. This is all be subject to change of tax law and practice and accounting risks.

IFRS — AssetCos and Issuer

The UK corporation tax treatment of the AssetCos and the Issuer depends to a large extent on the accounting treatment applicable to them and is subject to future changes in accounting standards. The

modelled cash flows are based on the accounting standards applicable at the time, should these change in the future there is risk that future cash flows could be affected.

VAT Grouping

There are potential risks in respect of the VAT grouping of Issuer and the AssetCos. Whilst the current proposed arrangements in the structure of the Issuer and the AssetCos should satisfy the conditions to be VAT grouped with CLV, it is possible HMRC could challenge this. Grouping gives rise to joint and several liability between the group members. Subsequent degrouping can also give rise to VAT liabilities in certain circumstances.

Risk of Breach of Relevant Residential Purpose (RRP) conditions

Each of the Properties were built as zero rated residencies because they were intended to be used solely for relevant residential purposes (RRP), that is, occupied by at least 95% by students. There is a risk that should CLV let more than 5% of rooms to non-students, VAT may potentially be required to be paid to HM Revenue & Customs under Part 2, Schedule 10, VATA or Part XV Value Added Tax Regulations 1995 (SI 1995/2518) in respect of refurbishment costs. However, given CLV's business model is based on student occupation in excess of 95%, any risk is nominal.

Change in VAT treatment may not be passed through to rents

Under current United Kingdom taxation law and practice, the supply of student accommodation is generally exempt from VAT, so whilst the rental income does not attract VAT, this restricts the recoverability of VAT incurred by each AssetCo. Each AssetCo assumes a certain level of irrecoverable VAT based on the current law and practice but there is a risk that a change in relevant legislation or practice (for example the current treatment of arrangements relating to the AssetCos' employees) could increase the amount of irrecoverable VAT incurred by each AssetCo. The AssetCos may not be able to recover all of the cost of such irrecoverable VAT through increases in rents charged under the relevant Property Documents.

U.S. Foreign Account Tax Compliance Withholding

The non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent, on all, or a portion of, payments made after 31 December 2016 in respect of (a) any Notes issued or materially modified on or after 1 January 2014 or, if later, the date that is six months after the date on which the final regulations applicable to foreign pass thru payments are filed in the Federal Register and (b) any Notes that are treated as equity for U.S. federal tax purposes, whenever issued, pursuant to the foreign account tax compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (**FATCA**).

This withholding tax may be triggered if (a) the Issuer is treated as a foreign financial institution (**FFI**) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (**IRS**) to provide certain information on its account holders (making the Issuer a **Participating FFI**), (b) the payments it makes are classified as foreign pass thru payments, and (c) either (1) an investor does not provide information sufficient for the relevant Participating FFI to determine whether that investor is subject to withholding under FATCA or (2) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. As indicated above, the term foreign pass thru payments has not yet been defined and it is unclear whether or in what situation payments on the Notes may be considered foreign pass thru payments.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. In particular, the United Kingdom has entered into an intergovernmental agreement with the United States to help implement FATCA for certain entities in the United Kingdom. The impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is currently unclear. The Issuer may be required to report certain information on its U.S. account holders (if any) to the government of the United Kingdom in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with United Kingdom law. It is not yet certain how the United States and the United Kingdom will address withholding on foreign

pass thru payments (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, if FATCA withholding applies to payments on the Notes, investors may receive less interest or principal than they would otherwise receive.

The application of FATCA to Notes issued or materially modified on or after 1 January 2014, or, if later, the date that is six months after the date on which the final regulations applicable to foreign pass thru payments are filed in the Federal Register (or where issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in a supplement to this Prospectus, as applicable.

FATCA is particularly complex and its application to the Issuer, the Notes and the holders of Notes is uncertain at this time. Each holder of Notes should consult its own tax adviser to obtain a more detailed explanation of FATCA and advice on how FATCA might affect it in its particular circumstances.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), each Member State 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 its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg are required to apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent, unless they elect otherwise. 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 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.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Insolvency considerations

Floating charges over the assets that secure the Notes will be subject to rights of third parties in certain circumstances

The Issuer Security and AssetCo Security include floating charges. On insolvency, certain third party claims against the companies that have granted the floating charges would have priority over the claims secured by the floating charges. In particular, the expenses of any winding up, liquidation or administration and certain claims of employees as preferred creditors would rank ahead of the claims secured by the floating charges. In addition, any administrative receiver, administrator or liquidator appointed in respect of a company that has granted a floating charge would be required to set aside a prescribed percentage of the moneys realised upon enforcement of that floating charge up to a maximum amount of £600,000 for application in or towards the claims of the company's unsecured creditors.

The assets which are subject to the floating charges may be disposed of in certain circumstances without the consent of the Issuer, the AssetCo Security Trustee or the Issuer Security Trustee (as the case may be). In particular, in such circumstances, an administrator has the right to dispose of such assets free of the security interests constituted by the floating charges. It is also the case that by their nature floating charges (which are intended to provide a means whereby security can be taken over fluctuating collections of assets) leave the companies that have granted them free to deal with the charged assets in the ordinary course of business until the security is enforced, with the result that the assets can be sold in the ordinary course of business to (or subjected to fixed charges in favour of) third parties free and clear of the security interests constituted by the floating charges.

Appointment of administrative receiver

The Insolvency Act 1986 and any subsidiary legislation (the **Insolvency Act**) restricts the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvent procedures (in particular, administration).

The Insolvency Act contains provisions that allow for the appointment of a receiver in relation to certain transactions in the capital markets. The relevant exception (the **capital markets exception**) provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency Act) under which a party incurs or, when such agreement was entered into was expected to incur, a debt of at least £50,000,000 and if the arrangement involves the issue of capital market investment (also defined in the Insolvency Act), but generally rated, listed or traded debt instruments). Whilst there is as yet no case law on how the capital markets exception will be interpreted and, accordingly, it is not possible to say whether in the circumstances of this financing structure, where the floating charges are created to support multi creditor classes, it would be possible to appoint an administrative receiver to each AssetCo, HoldCo or the Issuer. Were it not to be possible to appoint an administrative receiver in respect of one or more of the Issuer, HoldCo or the AssetCos, they would in all likelihood be subject to administration if they were to become insolvent.

The UK Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described herein, will not be detrimental to the interests of the Noteholders.

Security risks

Recharacterisation of fixed security interest

There is a possibility that a court could find that the fixed security interests expressed to be created pursuant to the Security Documents could take effect as floating charges as the description given to them as fixed charges is not determinative.

Where a chargor is free to deal with the secured assets without the consent of the chargee, the Court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the AssetCo Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the AssetCo Security Trustee or, as the case may be, the Issuer Security Trustee in practice.

If the fixed security interests are recharacterised as floating security interests, the claims of (a) the unsecured creditors of the chargor in respect of that part of the chargor's net property which is ringfenced under the Insolvency Act and (b) certain statutorily defined preferential creditors of the chargor, would have priority over the rights of the AssetCo Security Trustee or the Issuer Security

Trustee, as the case may be, to the proceeds of enforcement of such security. As a result, the full amount of the proceeds of enforcement of the security may not be available to repay the Notes (as applicable).

A receiver appointed by the AssetCo Security Trustee or the Issuer Security Trustee would be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Issuer (in the case of each AssetCo) and in the case of the Issuer in priority to payments to the Issuer Secured Creditors (including the Noteholders), respectively. Under the Insolvency Act the only categories of preferential debts are certain amounts payable in respect of occupational pension schemes, employee remuneration and levies on coal and steel production.

On 6 April 2008, a provision in the Insolvency Act came into force which effectively reversed by statute the House of Lords' decision in the case of *Buchler & Another v. Talbot & Ors* [2004] UKHL 9. Accordingly, it is now the case that the costs and expenses of a liquidation (including corporation tax on capital gains) 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 limited circumstances, the court). If the AssetCo Security Trustee or the Issuer Security Trustee (as applicable) were prohibited from appointing an administrative receiver by virtue of the amendments made to the Insolvency Act by the Enterprise Act 2002, or failed to exercise its right to appoint an administrative receiver within the relevant notice period and the chargor (in respect of which an administrative receiver is unlikely to be able to be appointed) were to go into administration, the expenses of the administration would also rank ahead of the claims of the AssetCo Security Trustee or the Issuer Security Trustee as floating charge holder (as applicable). Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the AssetCo Security Trustee or the Issuer Security Trustee (as the case may be) would have the same priority in respect of the property of the company representing the floating charge assets disposed of, as it would have had in respect of such floating charge assets. This disposal could adversely affect the Noteholders.

Section 245 of the Insolvency Act provides that, in certain circumstances, a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. If a liquidator or administrator is appointed to the chargor within a period of two years (the **relevant time**) commencing upon the date on which the chargor grants a floating charge, the floating charge granted by the chargor will be invalid pursuant to section 245 of the Insolvency Act except to the extent of the consideration received by the relevant chargor at the time of or after the creation of the floating charge. HoldCo and the Issuer will have received consideration (including, the subscription moneys for the Notes) and each AssetCo will have received consideration (including the initial drawing on the On-Loan Agreement). As such, during the relevant time the floating charge granted by the AssetCos will be valid to the extent of the amount of Notes issued by the Issuer and the floating charges granted by each AssetCo will be valid to the extent of the amount drawn and the On-Loan Agreement. However, such limitation on the validity of the floating charges will not of itself affect the ability of the Issuer Security Trustee to appoint an administrative receiver to the Issuer or the AssetCo Security Trustee in respect of each AssetCo. After the relevant time it will not be possible for the floating charges granted by the Issuer or each AssetCo to be invalidated under section 245 of the Insolvency Act.

Guarantees and security may constitute a transaction at an undervalue or preference

A liquidator or administrator of a guarantor incorporated in England could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such guarantee constituted a transaction at an undervalue. The Issuer believes that each guarantee described herein will not be a transaction at an undervalue and that each guarantee will be provided in good faith for the purposes of carrying on the business of each guarantor incorporated in England and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit

each such guarantor. However, there can be no assurance that the provision of the guarantees will not be challenged by a liquidator or administrator or that a court would support the Issuer's analysis.

If the liquidator or administrator can show that any of the guarantors described herein have given a preference to any person within six months of the onset of liquidation or administration (or two years if the preference is to a connected person) and, at the time of the preference, that guarantor was technically insolvent or became so as a result of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of the guarantors described herein during the relevant period prior to the liquidation or administration of each Issuer and each AssetCo.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a victim of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction. The Issuer does not believe that any of the Issuer or AssetCos have entered into any transactions which may be regarded as being for less than fair value or to shield assets from their creditors.

The AssetCo Security Trustee and the Issuer Security Trustee may be liable to third parties if recharacterised as a mortgagee in possession

The AssetCo Security Trustee and Issuer Security Trustee may be deemed to be a mortgagee in possession if there is physical entry into possession of any real property, a step-in enforcement of security or an act of control or influence which may amount, in effect, to possession.

A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The AssetCo Security Trustee and Issuer Security Trustee have the absolute discretion, at any time, to refrain from taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of a certain property unless it is satisfied at that time that it is adequately indemnified and/or secured and/or prefunded in respect of all potential liabilities. If they did incur any liabilities as mortgagee in possession, they would be able to claim under the indemnities in the Transaction Documents for any loss suffered as a result of such claims.

Certain of the Issuer or AssetCos may fall within the 'small companies' threshold allowing them the right to seek a moratorium which could restrict creditors' ability to enforce security

Certain small companies, as part of the company voluntary arrangement procedure in England, may seek court protection from their creditors by way of a moratorium (which will, amongst other things, restrict a creditor's ability to enforce security, prevent the appointment of an administrator or liquidator and restrict proceedings being commenced or continued against the company) for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the UK Secretary of State for Business, Enterprise and Regulatory Reform may, by order, extend or reduce the duration of either period).

A **small company** is defined for these purposes by reference to whether the company meets certain tests contained in Section 382(3) of the Companies Act 2006, relating to a company's balance sheet, total turnover and average number of employees in a particular period. The position as to whether or not a company is a small company may change from period to period, depending on its financial position and average number of employees during that particular period. The UK Secretary of State for Business, Enterprise and Regulatory Reform may by regulations also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a small

company. Accordingly, any of the Issuer or AssetCos may, at any given time, come within the ambit of the small companies provisions, such that any such Issuer or AssetCo may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may, nonetheless, be excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment. The definitions of capital market arrangement and capital market investment are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The UK Secretary of State for Business, Enterprise and Regulatory Reform may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Issuer Security Trustee's and AssetCo Security Trustee's ability to enforce security to the extent that, first, any of the Issuer or AssetCos fall within the criteria for eligibility for a moratorium at the time a moratorium is sought; second, if the directors of the Issuer or any such AssetCo seeks a moratorium in advance of a company voluntary arrangement; and, third, if any the Issuer or any such AssetCo is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Issuer Security Trustee or AssetCo Security Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

Other legal risks

Change of law

The structure of the issue of the Notes and the On-Loans are based on English law, regulatory, accounting and administrative practice in effect as at the date of this Prospectus, and having due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HMRC in force or applied in the United Kingdom as at the date of this Prospectus. There can be no assurance that English law, United Kingdom tax law, regulatory, accounting and administrative practice and HMRC's published guidance in force or applied at the date of this Prospectus will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of an AssetCo to repay amounts of principal and interest under the On-Loan Agreement. Any shortfall in the amounts received by the Issuer due from each AssetCo under the On-Loan Agreement could have an adverse effect on the Issuer's ability to make payments to Noteholders.

Risks relating to the Issuer and the Notes

The Issuer is a special purpose financing company with limited resources

The Issuer is a special purpose financing company with no business operations other than the issue of the Notes, entering into the On-Loan Agreement and the other applicable Transaction Documents and transactions ancillary thereto.

The ability of the Issuer to meet its obligations under the Notes and its ability to pay its operating and administrative expenses will depend primarily on the receipt by it of funds from the AssetCos under the On-Loan Agreement, the AssetCo Guarantees and the receipt of interest from the Accounts.

Other than the foregoing, prior to enforcement of the AssetCo Security and the Issuer Security, the Issuer will not have any other funds available to it to meet its obligations under the Notes and its obligations ranking in priority to, or *pari passu* with, the Notes. If the resources described above

cannot provide the Issuer with sufficient funds to enable the Issuer to make the required payments on the Notes, the Noteholders may incur a loss of interest and/or principal which would otherwise be paid in accordance with the terms of the Notes. If, following the exercise of all available remedies in respect of the On-Loans, the Issuer Security and/or the AssetCo Security, the Issuer does not receive the full amount due from the AssetCos, then the Noteholders (or the holders of certain classes of Notes) may receive on redemption an amount less than the face value of their Notes and the Issuer may be unable to pay in full, interest due on the Notes

The Notes may not be a suitable investment for all investors

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the market value of the Notes may fluctuate for a number of reasons including as a result of prevailing market conditions, current interest rates and the perceived creditworthiness of the Issuer and the CLV Group. Any perceived threat of insolvency or other financial difficulties of the CLV Group or a less favourable outlook of the student accommodation industry in the UK could result in a decline in market value of the Notes.

Conflict of interest

The Note Trust Deed requires the Issuer Note Trustee to have regard to the interests of all the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Issuer Note Trustee as if they formed a single class (except where expressly required otherwise). However, the Note Trust Deed also requires that, in the event of a conflict of interest between the holders of one or more Classes of Notes, it shall have regard to the interests of the holders of the Class of Notes then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Classes or for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.

Limited liquidity of the Notes; absence of secondary market for the Notes

There can be no assurance that a secondary market for the Notes will develop, or, if a secondary market does develop for any of the Notes issued after the date of this Prospectus, that it will provide any holder of Notes with liquidity or that any such liquidity will continue for the life of the Notes.

Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes.

The liquidity and market value at any time of the Notes are affected by, among other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Issuer and the CLV Group.

Certain risks related to Indexed Notes

The historical performance of an index should not be viewed as an indication of the future performance of such index during the term of any Indexed Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Indexed Notes and the suitability of such Notes in light of its particular circumstances.

Certain risks related to Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Risks related to the performance of the Index

Payments of principal on, and the interest payable in respect of, the Indexed Notes shall be subject to adjustment for indexation and to the extent set out in Condition 6.2 (*Application of Index Ratio*). The applicable indexation calculations involve the Index, being the Retail Prices Index (RPI) which is the most familiar general purpose domestic measure of inflation in the UK.

The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

The RPI is compiled by the UK Office of National Statistics (ONS) using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI. The UK Government uses the RPI for its own existing inflation-linked bonds. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month's RPI figure during the following month, i.e. the figure relating to February will be published in March. The RPI figures used in the calculation of interest payments on the Indexed Notes and the face value of the Indexed Notes at redemption are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on the RPI, including past and further performance and its volatility, can be found at the following website: www.statistics.gov.uk.

The provisions of Condition 6 (*Indexation*) as to the calculation and application of the indexation to adjust the payments of principal and interest on the Indexed Notes do not use the prevailing RPI as at the time of such calculation and application and, among other things, include specified limits (see the application of the LPI Annual Ratio) on the levels of indexation that would otherwise apply. Accordingly, the indexation of the payments of principal and interest on the Indexed Notes may not match the prevailing effects of inflation and, therefore, this may result in economic loss to holders of Indexed Notes.

Changes to the risk weighted asset framework

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the incentives for certain investors to invest in securities issued under such structures, and may thereby affect the liquidity of such securities. The exact scope of such regulation is often unclear and it is possible that it could be argued that the Notes were subject to some or all of it.

Articles 405 to 409 (**Articles 405 to 409**) of Regulation (EU) No 575/2013 (as amended, the **CRR**, known as the Capital Requirements Regulation) provide, among other things, that an EU credit institution may only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Articles 405 to 409 in relation to any applicable investment will result in an increased capital charge to or increased risk weighting applying to such investor in respect of that investment.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to this transaction.

The Issuer is of the opinion that the Notes do not constitute an exposure to a **securitisation position** for the purposes of Articles 405 to 409. The Issuer is, therefore, of the opinion that the requirements of Articles 405 to 409 should not apply to investments in the Notes.

Investors should be aware that the regulatory capital treatment of any investment in the Notes will be determined by the interpretation which an investor's regulator places on the provisions of the CRR and the provisions of national law which implements it. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore, some uncertainty remains as to which transactions are subject to Articles 405 to 409.

Analogous requirements to those set out in Articles 405 to 409 have been and/or are expected to be implemented for other EU regulated investors, including investment firms, insurance or reinsurance undertakings, UCITS and alternative investment funds.

Articles 405 to 409 and/or any such analogous requirements and/or any further changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

In addition, implementation of and/or changes to the Basel II framework may affect the capital requirements and/or the liquidity of the Notes.

The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk weighting of the Notes for investors who are, or may become, subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for credit institutions. In particular, the changes refer to among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short term and longer term standards for funding liquidity (referred to as the Liquidity Coverage ratio and the Net Stable Funding Ratio). Member countries will be required to implement

the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as **CRD IV**) were published in July 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

Investors in the Notes are responsible for analysing their own regulatory position and should not rely on the Issuer's opinion set out above. Investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Denominations and trading

The Notes will be bearer Notes and serially numbered in minimum denominations of £100,000 and integral multiples of £1,000 thereafter. However, if Definitive Notes are required to be issued and printed, any Noteholders will not be entitled to receive a Definitive Note in respect of amounts which are smaller than £100,000 and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

Book-entry form of Notes

The Notes will initially only be issued in global form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Global Notes will trade in book-entry form only. The common depositary, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Notes representing the Notes. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a Noteholder.

Unlike the Noteholders themselves, owners of book-entry interests will not have the direct right to at upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are permissible legal investments for it, Notes can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes are subject to exchange rate risks and exchange controls risks.

The Issuer will pay principal and interest on the Notes in Sterling. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the **Noteholder's Currency**) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Noteholder's Currency) and the risk that authorities with jurisdiction over the Noteholder's Currency may impose or modify exchange controls. The Issuer has no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. Moreover, if payments on certain Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates

between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. An appreciation in the value of the Noteholder's Currency relative to Sterling would decrease the Investor's Currency-equivalent yield on the Notes, the Noteholder's Currency-equivalent value of the principal payable on the Notes and the Noteholder's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Global economic disruption

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes, concerns over the liquidity of major banks and building societies and the consequent effects on the general economy and the housing market. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will be available in the future.

USE OF PROCEEDS

The net proceeds of the Notes will be used by the Issuer to:

- (a) advance the On-Loans to the AssetCos, and
- (b) pay transaction costs associated with the Transaction.

The AssetCos will enter into the Subordinated Loan Agreements with the Subordinated Lenders pursuant to which the AssetCos will receive Subordinated Loans, which will (together with the proceeds of the share equity subscription and the advance of the On-Loans from the Issuer) provide the AssetCos with sufficient funds to:

- (a) purchase the relevant Properties and Supplementary Assets; and
- (b) fund the initial amounts required to be held in the Sinking Fund Accounts and the Debt Service Reserve Account and a proportion of the required Budgeted Operating Expenditure in each Opex Account.

THE UNITED KINGDOM HIGHER EDUCATION AND STUDENT ACCOMMODATION SECTOR

Knight Frank LLP prepared a report titled 'Opal Site Reports' for Campus Living Villages dated 4th December 2013. Knight Frank LLP were engaged to produce a detailed and comprehensive analysis of the macro and micro economic factors behind the student housing market at each of the Sites. Some of the key questions addressed were: 'What unique demographic trends in the domestic student population can be identified at each of the locations?'; 'What unique demographic trends in the international student population can be identified at each of the locations?' and 'What positive factors influence demand for student housing at each location?'. The whole of this section, as follows, is an excerpt (pages 3 – 14 of the report) and it serves to provide some context as to the current state of the UK Higher Education Sector:

THE UK STUDENT SECTOR

OVERVIEW OF THE MARKET

The rising number of full-time student in higher education (HE) has meant that traditional student halls of residence have unable to accommodate the increase in demand for student rooms. Generally, students end up in shared accommodation in the private rental sector when they are unable to access traditional student accommodation, be it university halls or PBSA. They often reside in second hand housing stock or houses of multiple occupation (HMOs) which present a cheaper housing alternative.

Following the rise in student fees, there are higher expectations for the entire university experience and student accommodation is increasingly being regarded as a crucial element of this experience.

Accommodation now ranks alongside the course, the location and the reputation that the institution offers.

The UNITE Student Experience Survey is a comprehensive study into the attitudes of full-time undergraduate and postgraduate students in the UK. Recently, students have indicated that they want clean, modern and safe environment which can be made to feel homely. Affordability and privacy to allow them to work is also an important feature for students.

The results of the 2012 survey revealed the six most important features in students' choice of accommodation were:

- *A location within walking distance from campus*
- *Internet/ Wi-Fi facilities*
- *Reasonable costs*
- *En-suite facilities*
- *Cleanliness*
- *Security*

Whilst HMOs provide competition to PBSA at the lower end of the price and quality scale, many local authorities have noticed the impact this 'make-shift' student housing is having on local property markets and local government revenues.

As such, numerous consultations are underway to restrict the supply of new HMO stock in markets that already contain a high number of student households. If successful, local authorities will be faced with the need to provide alternative desirable student accommodation to counterbalance any displacement of student demand which will find itself diverted to purpose-built student accommodation.

KNIGHT FRANK STUDENT PROPERTY INDEX

The student accommodation sector has produced positive rental growth throughout every year of the economic downturn. This year is no exception although the growth is more muted than previous years. The Knight Frank Student Property Index revealed rental growth in London is 1.2% from the previous academic year, while regionally, rental growth averaged at 1.1%. Across the UK blended rental

growth was 1.16% to September 2013. Rental growth of this order demonstrates a strong performance for the sector in the context of the introduction of tuition fees and we would expect rents to resume an annual RPI trajectory going forward. It is this extraordinary resilience that particularly attracts investors.

The headline rental growth figure is aggregated from data that demonstrates greater turbulence under the surface. Cities such as Bristol, Edinburgh, Cardiff, Liverpool and Newcastle have all experienced strong rental growth of between 3%-4% as a result of well performing universities and acute undersupply of accommodation. Cities such as Preston, Leeds and Birmingham have seen rental reductions as operators have taken a more risk adverse approach to ensure they achieve full occupancy. We would comment that instances of rental reductions are relatively unusual in the sector and that the striking feature of the commencement of September 2013 academic year was that all core markets were fully let. It is arguably a strength of the sector that rents can react so quickly to market conditions with annual adjustments occurring at the start of each new academic year.

The Knight Frank Student Property Index also reveals that 'studio' rents have grown more quickly than rents in 'en-suite' cluster flat bedrooms by 0.4% per annum. We believe this marginal difference reflects a post development stabilisation phase where predominantly regional studio schemes have demonstrated strong rental growth in the first two years post completion. We anticipate that this difference will flatten out over the forthcoming three years as schemes mature to settled rental positions.

The direct let student accommodation market is transparent and driven by consumer demand. Students in London seeking premium accommodation located in Zone One have a good range of operators and product to choose from. The index identifies average studio rents are currently in the region of £283 per week which has risen year-on-year in line with the national trend. However central London local authorities continue to tighten planning controls and are seeking to introduce CIL levels at a rate that would appear to actively discourage student accommodation development.

We therefore forecast that in prime central London the demand supply imbalance will actually worsen in the next five years, a positive dynamic from an investment perspective. The prospects for rental growth in prime central London are exceptionally good and we forecast above trend rental escalation for prime central London student accommodation over the next five years.

STUDENT INVESTMENT MARKET

Total returns in the student accommodation sector have outperformed all other traditional asset classes for the past four years. Although we have seen a fall in total investment returns within the sector over the same period this is consistent with the trend in the broader property.

The Knight Frank Student Property Index shows a further fall year-on-year, but confirms once again that Student Accommodation outperforms the other traditional asset classes.

The attractiveness of the student accommodation sector has been driven by the story of structural undersupply and positive rental growth every year throughout the economic downturn. We forecast this dynamic will remain the driving force behind investment into the medium term. The structural undersupply remains in all key university markets and this will ensure positive rental growth remains a defining characteristic. The stability and performance in the sector combined with the improvement in profile of the sector have established student accommodation as an asset class in its own right.

Notwithstanding the positive sentiment in the sector, the first three quarters of 2013 were characterised by uncertainty following the collapse of The Opal Group. The Opal Portfolio has been openly marketed and attracted very considerable interest from across the globe with particular focus on US equity houses. We believe 2014 will be characterised by a resurgence in confidence following the successful resolution of the Opal situation.

Interest in the Student Property Sector has been driven by an understanding of the structural imbalance combined with recognition that there are opportunities for adding value in the sector. Areas where new entrants are specifically looking to add value include 'rebranding' because there is

an observation that the UK student accommodation sector falls behind the more sophisticated approach taken in both other sectors (such as the hotel sector) and other regions (specifically the US). Currently in the UK it is argued that there is no single national student accommodation brand that has real resonance with the consumer (although existing operators strongly disagree with this assertion). UK Student Accommodation brands are largely perceived to be unsophisticated, immature and unconnected to the target user group. New entrants are very focussed on improving 'the customer experience'. We forecast a very considerable drive on branding by all parties in 2014 with a number of national operators launching refreshed brands. Arguably it is the value-added power of 'the brand' that could drive consolidation of portfolios in the sector over the next five years.

Consolidation will also drive economies of scale from larger national portfolios operating under a single banner within a single stable. In respect of all these factors, the market is moving towards the more sophisticated US mid-range hotel model as investors chase both rental growth and total investment returns. Added value opportunities are also observed in upgrading specification. First and second generation schemes are marked out by their 'institutional' grade decoration, lighting and arrangement. It is generally possible to transform the presentation of older stock by refurbishing and renewing. This work will often have a direct and disproportionate benefit on rents. Refurbishment options are therefore highly attractive to purchasers where the financial dynamics work.

There is a perception that the sector currently looks good value in absolute terms. Some observers note that student accommodation direct let yields look good value in the context of both historic UK levels and by reference to US yields.

Additionally it is noted that average regional rents for en-suite cluster flat accommodation (£112 per week) sit below the 'break even rent for development'. That is to say that new developments generally cannot be delivered at the average rent passing (based on broad assumptions relating to development costs, land purchase and capital value). It is an attractive characteristic for a purchaser if their new acquisition has been bought below reasonable development cost. It also indicates that prospects for rental growth are strong into the medium term.

UK STUDENT NUMBERS

The introduction of tuition fees in September 2012 caused turbulence in the sector, but the underlying appetite for higher education remains strong. Student numbers fell 7% in September 2012 largely due to the sudden impact of the introduction of tuition fees, but we have seen a reversal of that trend in September 2013 with student numbers predicted to have risen by 3.5% year-on-year.

Importantly, the rise in student numbers comprises both an increase in overseas students as well as domestic students. The introduction of tuition fees has, to some extent, caused a new trend of 'consumerism' from applicants for university. Universities increasingly recognise that in attracting the best students from across the globe, academic excellence alone is inadequate in order to maintain competitiveness and that their accommodation offer forms part of the holistic offer to students.

Whilst it is widely recognised that Russell Group Universities, Red Brick Universities and the academically excellent universities are winners under the new tuition fee regime we also observe universities offering well-regarded specialist courses are also showing competitive advantage. The losers include the least academically attractive ex-polytechnics located in areas of economic hardship.

PROJECTED UK STUDENT NUMBERS

'In 2011 there were 368,000 new students entering Higher Education. If growth reflects current demographic trends there could be 410,000 new entrants in 2035. And if universities were to accept every qualified and motivated applicant that number could rise to 460,000 new entrants.'

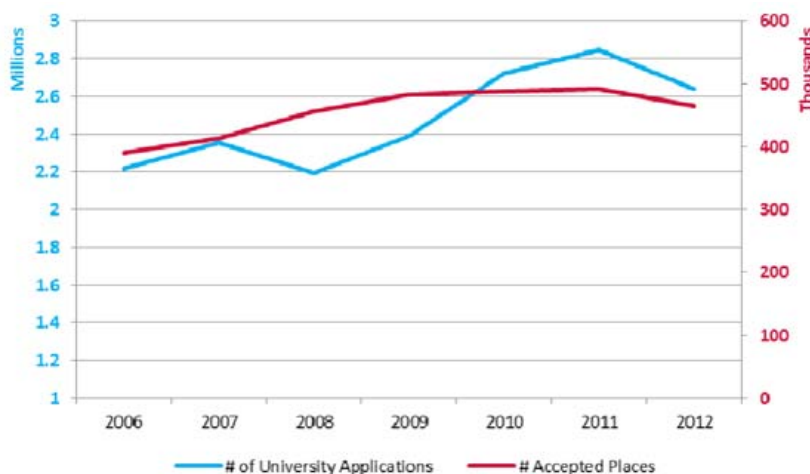
David Willetts MP, Universities Minister, writing in the Daily Telegraph on 21 Oct 2013¹

As the quote above shows, the Coalition government is a firm supporter of the principle of universal access to higher education with David Willetts forecasting the annual number of new students to have

¹ Source: <http://www.telegraph.co.uk/news/politics/10392460/A-degree-is-still-one-of-the-best-routes-to-a-good-job.html>

increased by 42,000 over the next 23 years in line with the underlying demographic trends. Current data from the University & Colleges Admissions Service (UCAS) suggests that the total number of applications to UK universities through UCAS in the 2011/12 academic year was just over 2.6m. As figure 1 shows, this resulted in 464,910 accepted places – a decrease of 27,120 on the previous year.

Figure 1 Total number of UK University Applications & Accepted Places - 2006-2012 – all UCAS-affiliated Universities

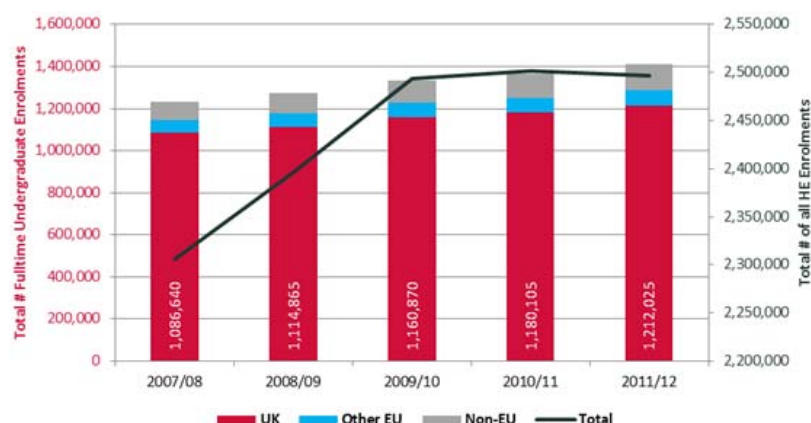


Source: Knight Frank Residential Research, UCAS

The data from the Higher Education Statistics Agency (HESA) encapsulates all UK Higher Education Institutions (HEI) and, at figure 2, shows that the total number of all HEI enrolments across the country has broadly plateaued since the 2009/10 academic year. However this disguises an interesting trend in the data – based on the figures from the HESA for the number of undergraduate enrolments, the numbers of full-time undergraduate students at all UK HE institutions has been growing by an average of 3% since the 2007/8 academic year.

Whilst UK domiciled students make up the majority of full-time undergraduates – 1,212,025 in 2011/12 - UK domiciled undergraduates do not appear to be driving this increase. The proportion of UK students entering full-time undergraduate higher education has in fact steadily fallen to 85.8% from 88.2% in 2007/8, with the number of non-EU based students rising 7% between 2010/11 and 2011/12 compared to only 3% growth for the UK (figure 2).

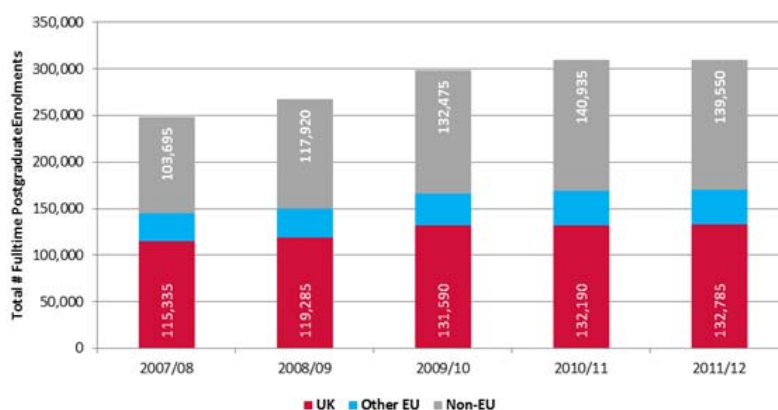
Figure 2 Full-time Undergraduate HE enrolments by domicile - Academic Year 2007/8 to 2011/12 – all UK HEIs



Source: Knight Frank Residential Research, HESA

Full-time postgraduate student numbers have also increased since 2007/8, although overall numbers have remained steady at about 310,000 over the last 2 years.

Figure 3 Full-time Postgraduate HE enrolments by domicile - Academic Year 2007/8 to 2011/12 – all UK HEIs

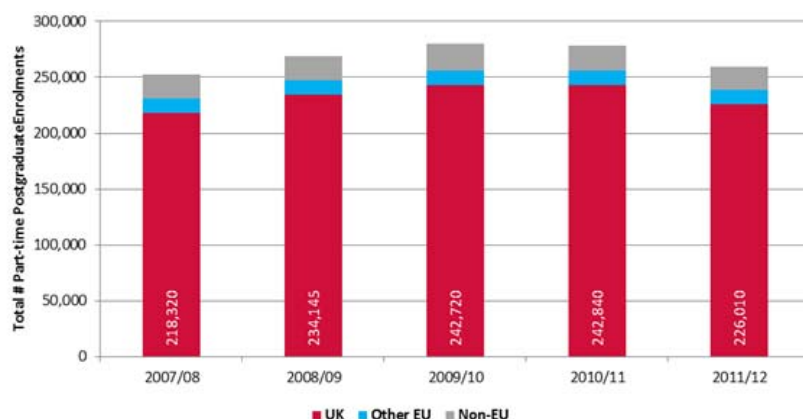


Source: Knight Frank Residential Research, HESA

Whilst full-time numbers of both post and undergraduate students appear to be either growing or remaining steady, the numbers of students enrolling on part-time university courses has been falling since the 2009/10 academic year.

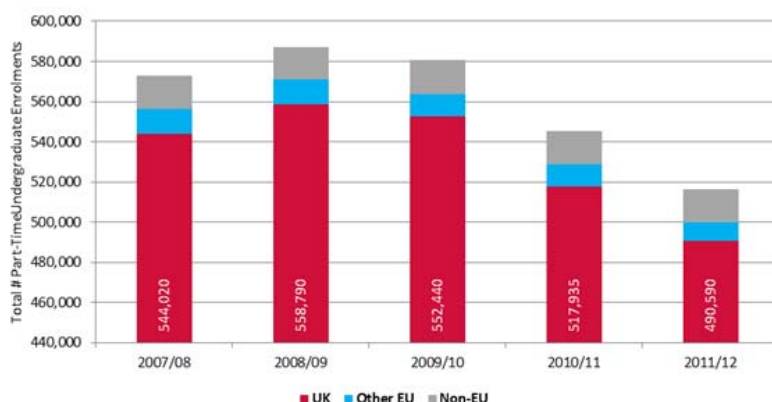
Part-time postgraduate numbers in 2011/12 were -7% down on 2010/11 and undergraduate part-time enrolments also dropped by -5%. The previous year part-time undergraduate numbers fell by -6%, post graduates by a mere -1% (Figures 4 & 5). This dip in part-time education appears to have been across the board, with UK domiciled part-time students decreasing alongside international nationals. That said, the most extreme decline appears to have been in the number of other-EU domiciled part-time students – 2011/12 saw a -14% drop in their numbers compared to the previous year.

Figure 4 Part-time Postgraduate HE enrolments by domicile - Academic Year 2007/8 to 2011/12 – all UK HEI



Source: Knight Frank Residential Research, HESA

Figure 5 Part-time Undergraduate HE enrolments by domicile - Academic Year 2007/8 to 2011/12 – all UK HEI



Source: Knight Frank Residential Research, HESA

These figures would suggest a 'tipping point' occurred prior to the 2009/10 academic year that made part-time higher education less attractive to both international and UK residents. Recent figures suggest that this trend has continued apace, with the higher education group Universities UK and HESA data reporting a 40% fall in part-time student numbers between 2012/13 and 2011/12. Universities UK identify a number of potential causes for this dramatic shift in the student sector:

- the current economic climate;
- pressures on employer support for further study;
- the changing pathways into higher education and shifts in demographics;
- the effects of the 2012–13 changes to the funding system in England and associated increase in fees.²

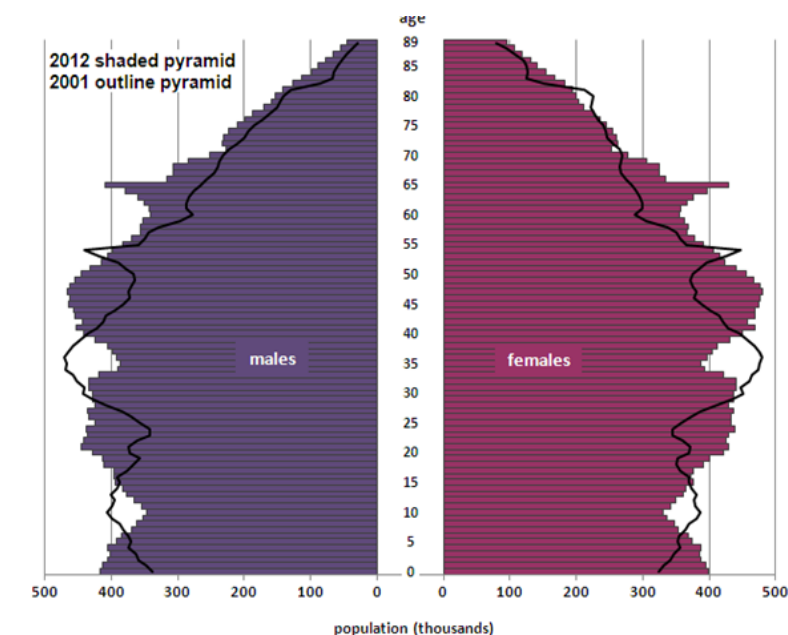
² Universities UK, 'Part-time higher education needs urgent attention', published: 16/10/13, available at: <http://www.universitiesuk.ac.uk/highereducation/Pages/PartTimeHigherEducationNeedsUrgentAttention.aspx#.UnpVC8bIZK8>

This combination of economic and social issues seem likely to force down demand for part-time higher education in the medium to long-term, leading to the full-time market playing an even more important part in the sector.

POPULATION PROJECTIONS

As the official figures from the Office of National Statistics (ONS) show, the age distribution of the UK population ‘ripples’ through the various age bands – currently we are experiencing the last of the effects of the 1960’s ‘baby-boom’ with a peak number of people retiring.

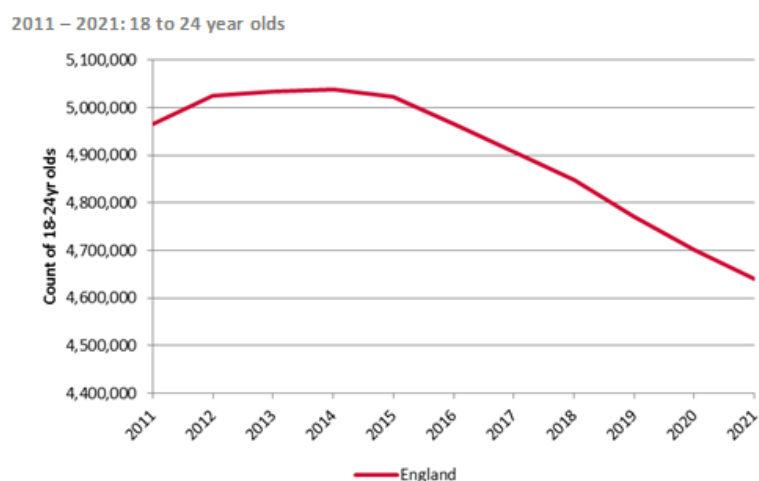
Figure 6 ONS Population pyramid for the UK - Mid-2012 compared with mid-2001



Source: ONS

By contrast there appears to be a reduced number of young children around the age for entry into the mainstream school system i.e. either side of 10 years old. By 2021 this ‘trough’ in the current number of young children may have a small impact on overall student numbers, as shown by the more detailed ONS population projections below.

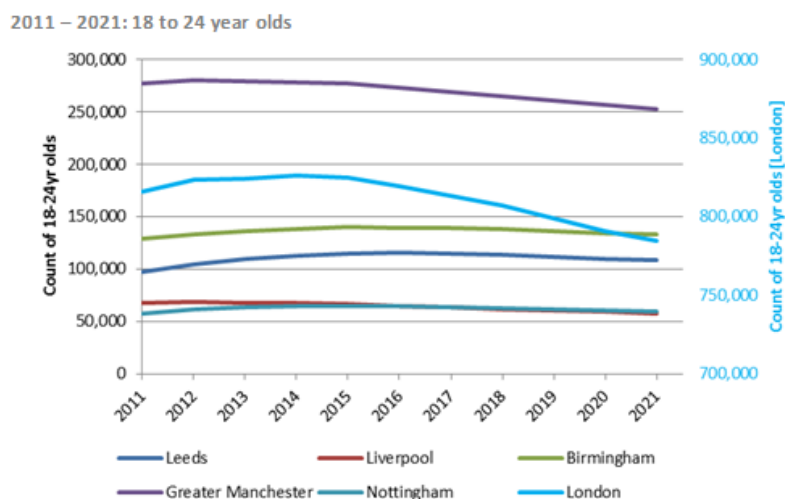
Figure 7 ONS Population Projections



Source: Knight Frank Residential Research, ONS

London in particular is forecast to see a decrease in the number of 18-24 year olds, i.e. the section of the population considered of 'student' age, with the ONS suggesting a drop in the total number of residents in this age band of some 380,000 between 2012 and 2021.

Figure 8 ONS Population Projections: Local Authority Level - 2011 – 2021: 18 to 24 year olds



Source: Knight Frank Residential Research, ONS

However as the disparity between the 2011 Census population figures and earlier forecasts highlighted, this type of projection can be highly unreliable, particularly when one begins to try to hone in on individual age bands and areas. Nor do these projections make an allowance for immigration on the overall size of the resident population.'

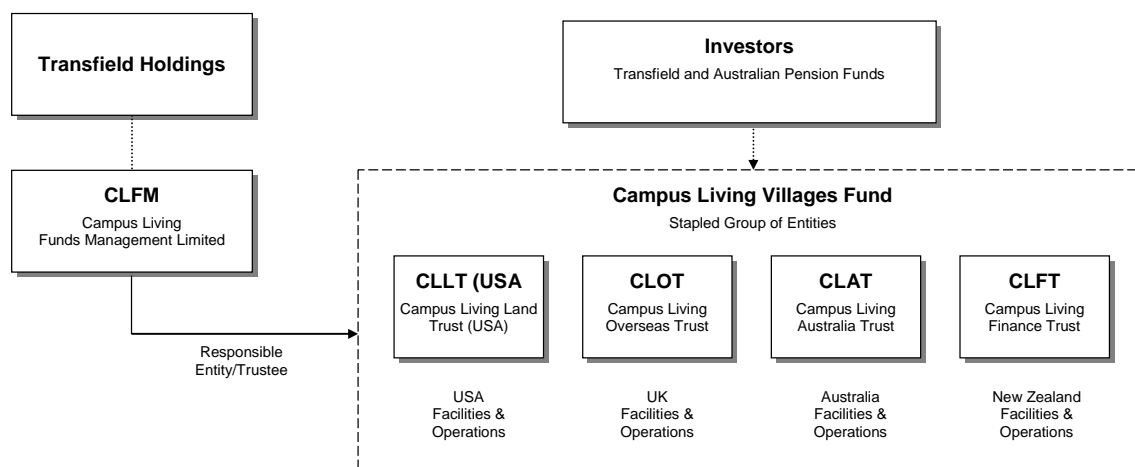
THE CLV GROUP

Campus Living Villages Fund

The Campus Living Villages Fund (the **Fund**) is a specialist owner, operator and developer of student accommodation. It is an Australian non-listed wholesale fund established in 2007 and currently owns, manages or is developing over 38,000 beds across Australia, New Zealand, the United Kingdom and the United States.

The Fund has a specialist team of senior executives with extensive experience in relevant fields of owning, developing and operating student accommodation. These skills include, but are not limited, to project development, project finance, construction, and facilities management. The team has a detailed knowledge of the higher education sector and operational experience in running student accommodation assets.

The Fund comprises four trusts, each of which are a managed investment scheme under Chapter 5C of the Corporations Act (Australia). A summary of the structure of the Fund (as at 31 December 2013) is shown below:



The four trusts are described below:

- Campus Living Finance Trust is a specific group financing vehicle;
- Campus Living Land Trust (USA) holds the leasehold property interests of CLV's US operations;
- Campus Living Australia Trust holds the Australian assets and the active management business in Australia;
- Campus Living Overseas Trust (**CLOT**) holds the New Zealand assets and management business, the active management and furniture businesses of CLV's US operations and the assets and management business of CLV. CLV is a wholly owned subsidiary of CLV UK Accommodation Holdings Pty Limited (ACN: 133253228), which in turn is held by CLOT.

Securities in the four entities are stapled and are not able to be traded separately.

CLV Group means the fund established by the issue of stapled securities in Campus Living Overseas Trust (Australian Registered Scheme Number 122 418 188), Campus Living Australia Trust (Australian Registered Scheme Number 122 418 204), Campus Living Finance Trust (Australian Registered Scheme Number 122 414 242) and Campus Living Australia Trust (USA) (Australian Registered Scheme Number 122 414 073), of which Campus Living Funds Management Limited (Australian Company Number 155 371 321) acts as the responsible entity.

Fund Manager and the Transfield Holdings Group

The Fund is managed by Campus Living Funds Management Limited (**CLFM**). CLFM acts as the Responsible Entity/trustee of the four managed investment schemes that comprise the Fund and, as such, is responsible for the overall strategic direction and management of the Fund's business activities.

CLFM is a subsidiary of Transfield Property Pty Limited, which is owned by Transfield Holdings Group (**Transfield Holdings**). Transfield Holdings also owns approximately 9 per cent. of the units of the Fund. The CLFM Board comprises four directors, two of whom are appointed by Transfield Property Pty Limited and two of whom are Independent from Transfield Holdings (including the Chairman, who has a casting vote).

Transfield Holdings is a leading Australian private investment and development group with more than 50 years of history. It specialises in the investment, development and long-term management of privately funded infrastructure projects and businesses.

The CLFM Board is currently considering a proposal to internalise the functions of the Responsible Entity/trustee. Should any internalisation proceed, Transfield units would be acquired by some of the other investors in the Fund, Transfield's right to appoint directors to the Board of CLFM would cease and all directors of CLFM would be appointed by the investors in the CLV Fund.

Key features of the CLV business model

CLV's on-campus properties are generally ground leased directly from the universities. The on-campus properties generally provide residents with access to university endorsed facilities and benefit from contractual arrangements with the Universities that enhance CLV's competitive position as compared to off-campus housing. Such contractual arrangements typically provide for assignment of students to the accommodation by the Universities, rent collection and marketing arrangements with the Universities.

CLV's business model is based on:

- (a) *University relationships* – provides the operator with access to marketing channels that generate a significant number of rental applications at low cost;
- (b) *Long term view* - long term contracts (generally with a minimum concession period of 30 years at inception) with Universities provides CLV with the ideal platform to develop sustainable and long term relationships;
- (c) *Location* – helps underpin strong demand. CLV has found that facilities in strong university cities are the preferred accommodation choice of students, their parents and carers;
- (d) *Residential life* – a strong residential life program increases student satisfaction, leading to higher retention rates and strong word of mouth recommendations; and
- (e) *Portfolio benefit* – cost savings delivered through increased purchasing power. Innovations at each individual village are generally realised throughout the portfolio.

CLV's selection criteria

CLV is highly selective over the choice of university and choice of sites, which underpins the historic occupancy performance of their student accommodation portfolio, alongside its business model of basing a strong emphasis on building relationships with higher education institutions:

- (a) CLV partners with institutions which satisfy its own stringent selectivity criteria;
- (b) accommodation is always located on or very near to the relevant campus (which is the case with each of the Properties), which historically has been the preferred location for first year undergraduates and postgraduates;
- (c) in this instance, certain of the Properties are located in a Russell Group City; and

- (d) where the sites are already operational, CLV looks for a strong occupancy record over the concession period to date, as is in evidence with the Properties.

Components of CLV business model

The strength of CLV business model is driven by the following elements:

Long-term relationship with universities

CLV's model is centred on a relationship approach with universities. The nature of this relationship provides the basis for the majority of the points discussed below.

CLV delivers an integrated service through which it assumes responsibility for the funding, design, build, operation and accommodation management of campus infrastructure. This integrated approach allows its Property Universities to release capital for investment in areas of core provision such as teaching and research, to meet both immediate and long-term financial objectives.

Location and target demand

CLV's accommodation is located on or near to university campuses.

It is primarily targeted at first year domestic and international undergraduate and postgraduate students who will typically be guaranteed accommodation as part of the offer of study they receive. Students from these cohorts are usually expected to want on-campus accommodation, due to the importance of being on-campus in the early stages of their university career.

Selectivity criteria

CLV's approach is underpinned by a research led approach to selecting its Property Universities and projects. The driver behind this is to identify and work with universities that will be successful in the long term and open to a long term partnership approach.

Marketing of rooms

CLV deploys a number of modern techniques to market the properties. CLV's marketing campaigns reach a diverse audience including parents, existing and future relationship universities, the community at large and, most importantly, students. Therefore, CLV's channels to market are multi-touch to reach each target audience. The marketing efforts at all of the Properties are designed to drive traffic to the CLV web site (www.campuslivingvillages.com/United-Kingdom) as the primary source of information.

CLV utilises many modern marketing techniques including social media and web based advertising through property websites, Facebook, Twitter, text messaging and You Tube.

Rent setting

Arrangements for rent setting are set out in the contractual arrangements with the relevant Property University and may vary between projects. This rent setting mechanism typically provides the RPI linked methodology to be used when agreeing rental increases for the full project term, some regular benchmarking and pass-through of certain costs (e.g. insurances and utilities).

In practice, the setting of rents is completed in annual discussion with the relevant Property University.

Quality of residential life

CLV's approach to the provision of residential life is summarised in its Live, Learn and Grow philosophy.

- (a) *Live* – Facilitate the creation of a fun, friendly and diverse community through social events, sporting and recreational activities and community development programs.
- (b) *Learn* – Support residents' academic success through study support, study groups, academic information, financial advice, scholarships and educational facilities.

- (c) *Grow* – Encourage residents' personal growth and transition to independence with a focus on life skills, cultural awareness, social conscience, personal development and pastoral care.

Each Property offers a programme of events and activities tailored to the requirements and interests of the property's residents. These activities range from cooking and budgeting classes to excursions and orientations, from tips for study success to hot chocolate study breaks, from adopting a charity to international food nights. Each Property features dedicated staff focused on the development and delivery the Live, Learn and Grow programmes.

The amenities provided by CLV vary from property to property but can include:

- (a) student lounges;
- (b) TV and movie rooms;
- (c) sporting facilities;
- (d) group study lounges;
- (e) e-libraries with Internet access and shared computers; and
- (f) communal kitchens.

The amenities are designed to complement the amenities provided by the respective university, foster social interaction between residents and enable the delivery of Live, Learn and Grow programmes.

The provision of a supportive environment to residents adapting to independent living is an essential part of the CLV philosophy. The following will assist in providing a supportive environment at the Properties:

- (a) support personnel are available 24 hours, 7 days a week;
- (b) progressive installation of surveillance cameras and improved lighting;
- (c) extended office hours into evenings and weekends at most properties to ensure staff are available when residents need them, particularly before and after classes;
- (d) well-developed operational systems and processes that ensure that matters are dealt with promptly and effectively;
- (e) resident assistants are trained in crisis management; and
- (f) close cooperation with university student support staff.

Highly skilled staff and empowerment of local management

Beginning in early 2010, CLV started to deploy a new management structure at property level across all countries it operates in with the goal of increasing resident satisfaction, improving financial performance and enhancing relationships with universities.

A key aspect of this new management structure is the recruitment of staff with more extensive commercial experience and a broader skills base. To that effect, CLV has started to employ general managers for each of its properties with backgrounds in the hospitality industry and a minimum experience of eight to ten years, partly in senior leadership roles. The general manager is supported by a finance manager and, depending on the size of the property, a dedicated operations manager in charge of all aspects of residential life. In addition, the staffing structure generally includes a full-time receptionist, a dedicated maintenance team and experienced marketing and sales staff. The increase in the quality of staff has led to increased staffing costs.

The general managers and their teams have full responsibility for budgeting, cash flow forecasting and management, compliance with agreements, leases, and contracts, development and implementation of annual marketing plans, property maintenance, long-term capital expenditure plans, development of a strong residential life programme and maintenance of university relationships.

The other key aspect of the new management structure is the increased empowerment of staff at property level. With staff in place, more decision-making authority has been delegated to the local staff. This has been accompanied by an operational framework that provides guidance to local management and ensures consistency in the quality of provision of housing to residents.

The new management structure has led to improved accountability and responsiveness to the needs of residents.

Competitive landscape

The privately developed and operated student accommodation market can be segmented as follows:

- (a) property companies operating a direct let model;
- (b) partnership design, build, finance and operate;
- (c) infrastructure companies;
- (d) developer-operator consortia;
- (e) national housing associations; and
- (f) regional operators.

The leading developers and operators and their market share as at August 2012 are outlined in the table below:

<i>Company</i>	<i>Operational Beds</i>	<i>Market Share (Private Operators)</i>	<i>Market Share (Total Purpose Built)</i>
Unite Group / USAF	41,777	23.1%	8.4%
UPP	27,966	15.5%	5.6%
Opal Group	20,027	11.1%	4.0%
Liberty Living	15,969	8.8%	3.2%
CRM	11,011	6.1%	2.2%
Sanctuary Management	8,255	4.6%	1.7%

Source: CBRE Research August 2012

Property companies operating a direct let model

Property companies began developing private residences during the late 1990's in response to the undersupply of student accommodation. These companies secure the freehold on sites in United Kingdom cities with large student population. Developing the residential asset and then offering nomination agreements to institutions, these developer-operators market directly to students and, in certain circumstances, then look to sell these assets into their own fund structures once operational.

Partnership Design, Build, Finance and Operate

Partnership models are focused upon the provision of on-campus residential and academic infrastructure. This model is a complementary model — i.e. the operator does not compete in terms of demand with university accommodation. The model involves a long term concession — typically between 40-50 years— with the university marketing and allocating the accommodation as if it were its own stock and the operator operating the accommodation in line with established service level agreements.

Infrastructure companies

The market for student accommodation in the United Kingdom has seen a number of large infrastructure companies enter the market. These companies are able to demonstrate development capability and are able to operate accommodation.

Developer-operator consortia

Bidding joint ventures involving investor-development companies and specialist operators of student accommodation are also involved in the United Kingdom market. Typically, these developers will

establish an independent client and student facing brand, with these consortia seek to offer a high degree of construction security and specialist operational skill.

National housing associations

There are a number of national and regional housing associations which have established student accommodation companies either separately or as subsidiaries to their other social housing activities as one area of business diversification. Over the last decade, a number have developed a regional presence and are able to benefit, when bidding, from a detailed local knowledge and existing presence in other areas such as social housing.

Regional operators

Throughout the United Kingdom there are a number of developer-operators who have established a regional presence (approximately 5 to 10). Each will have a variable capacity in terms of delivery, but are able to benefit from the relationship between university and chosen funder.

Management Team

CLV has a specialist team of senior executives with extensive experience in relevant fields, which include construction, higher education, facilities management and project finance. The key members of the team are set out below:

Martin Earp (Global Chief Executive Officer)

Martin is responsible, along with the Campus Living Funds Management Limited Board, for the strategic direction and leadership for both Campus Living Villages (the operating company) and Campus Living Funds Management (the Responsibility Entity for CLV). He is both an ASIC certified Responsible Manager for CLFM and a Director of the four regional downstream operational Boards.

He has experience in both providing leadership to operational businesses and working in project development teams. He has worked for Transfield Holdings for over twelve years in a number of operational roles including CEO of the Australian Biodiesel Group (ASX listed company), General Manager Airtrain (where he also served as a Director for 8 years) and Business Development Manager for Airport Rail Link. Prior to this he spent almost 10 years with a London based consultancy advising on large infrastructure and investment deals.

Martin holds an MBA from the Australian Graduate School of Management and a MSC and BSc (Hons) in Traffic Engineering and Transport Planning.

Rob Di Qual (Chief Financial Officer & Fund Manager, Campus Living Funds Management Limited)

Rob is responsible for investor relations and oversight of the Fund's Valuation and Financial Risk Management including oversight of the Fund's acquisitions, divestments and refinancings. Prior to this role, Rob was involved in financing development activities across the Transfield Holdings Group. Transactions include the listing of Transfield Services, the Walsh Bay redevelopment project and the Lane Cove Tunnel project. He is also a member of the Sydney Harbour Tunnel Operations Committee.

Rob has been involved in the development and growth of CLV's business in Australasia and the United States. He was involved in the financing and acquisition of the Macquarie University Village, Kelvin Grove, UNSW Village, the University of Canberra Village and the Century acquisition in the United States. More recently, Rob was involved in leading a team in the structuring, rating and the refinance of CLV's US Century business via a US Private Placement which was a first Private Placement ever transacted by a private student accommodation provider.

Prior to Transfield Holdings, Rob worked at Patrick where he was involved in the redevelopment and acquisition of on-wharf infrastructure including the transformation of on-wharf cargo handling fleet across Australia. Prior to Patrick, Rob worked for various subsidiaries of the Howard Smith Group.

Richard Gabelich (General Manager, Campus Living Funds Management Limited)

Richard is responsible for the management and leadership of CLFM and all day to day CLFM functions and responsibilities. Prior to his appointment as General Manager, Richard held the role as

CLFM General Counsel and Company Secretary and has been involved in the operations of the Fund since its establishment.

Richard joined Transfield Holdings in 2006 as a commercial lawyer. He has advised on the company's key development activities including the establishment of the Fund and a number of acquisition and project development activities in the infrastructure, property and renewable energy areas. Richard has also been involved in the development of CLV's business in Australia, advising on both The University of NSW and University of Canberra projects.

Prior to Transfield Holdings, Richard spent eight years in banking and finance and corporate and commercial law with law firms Hunt & Hunt, Minter Ellison and Kensington Swan.

Gary Clarke (Chief Executive Officer, Campus Living Villages UK)

Gary has been responsible for the strategic leadership and management of CLV UK since 2008 when he established the UK office. Prior to joining CLV, Gary spent 23 years in the investment banking sector, working in London and Asia.

Gary has experience in the areas of finance and development, having most recently held the position of Head of Corporate Finance for Europe and the Americas at ANZ Investment Bank. In this role Gary was responsible among other things for the bank's structured debt and equity financing activities in the infrastructure sector, in which he has gathered international experience in public sector financing.

He holds a BSc from the University of Surrey.

Sean McKeown (Commercial Director, Campus Living Villages UK)

Sean is a qualified lawyer in Australia with over 12 years' experience in property, banking, construction, commercial and corporate law. He is responsible for legal matters and development activities in the UK. As well as providing commercial and strategic input, Sean has been involved in the assessment, negotiation and finalisation of transaction documents with CLV's partner universities as well as finance documents with CLV's debt providers.

Sean has worked closely with the other members of the CLV global development team in the UK, Australia and New Zealand to tender, purchase and build student accommodation in each country. He has also supported the US team in structuring their banking and debt facilities. Sean has led several projects for CLV including the University of Bedfordshire Student Accommodation project in the UK.

Prior to joining CLV in 2008 as Legal Counsel based in Sydney, Sean worked at Staunton Beattie, Dibbs Barker Gosling and Consolo Property Pty Limited in Sydney.

Joanne Sexton (Head of Finance, Campus Living Villages UK)

Joanne is responsible for the accounting, treasury, compliance and risk management of the UK business, and is involved in the management of the UK business at both village and corporate levels.

With over eight years' experience in commercial finance roles, Joanne is a qualified chartered management accountant with significant domestic and international experience, including infrastructure fund management.

She joined the CLV UK team in July 2010 having previously worked at CP2 (UK) Limited, CP2 Pty Limited (Australia), Yahoo! Europe, and Rocket Food Limited.

Joanne holds a BA (Hons) from the University of Wales.

Robert Moyle (Chief Operating Officer, Campus Living Villages UK)

Rob joined the UK team in 2010 as General Manager at CLV's University of Salford Student Village. In October 2010 he was promoted to Chief Operating Officer of CLV UK.

Rob has 20 years' experience as an Operational Manager in hospitality management with both four and five star properties. He has worked with such domestic and international companies including the Radisson, Hyatt Hotel and Resorts and Marriott International and Wyndham Vacation Resorts, Asia Pacific.

Rob joined CLV in 2007 and prior to moving to the UK, was senior General Manager at the University of Canberra Village. During his time with CLV, Rob has managed the takeover of existing accommodation, successfully opened two stages of developments and overseen three refurbishment projects.

Rob holds a Master of Business Administration from Bond University, Australia.

THE PROPERTY PORTFOLIO

Overview

A description of each Property and the University or Universities that each serves in its locality and certain statistical information relating to each Property is set out in the relevant property specific paragraphs below. A summary of the occupational interests that are the source of income at each Property is also referred to in the relevant paragraphs.

Acquisition from administrators

The Properties will be acquired from eight separate special purpose vehicle companies (the **Opal Subsidiaries**), each of which is a wholly owned subsidiary of Opal Property Group Limited (**Opal**) which is also in administration. The administrators, being Ian David Green, Toby Scott Underwood and David James Kelly of PricewaterhouseCoopers LLP (the **Opal Administrators**) are currently running Opal and the Opal Subsidiaries and will, pursuant to a sale and purchase agreement between the Opal Administrators, the relevant Opal Subsidiaries, and each AssetCo (each a **Sale & Purchase Agreement**) sell the Properties and Supplementary Assets to the AssetCos.

The title to the AssetCos comprise of Campus Living Villages (City Portfolio) UK Limited and Campus Living Villages (Sutton Bonington) UK Limited.

The Properties comprise the core assets being purchased by the AssetCos. In addition, the AssetCos are acquiring the following other assets referred to collectively as the **Supplementary Assets**:

- (a) Equipment located at the Properties comprising computer hardware, furniture (including student furniture), lift lines, telecommunications equipment, photocopiers and other chattels and fungible items owned by the Opal Subsidiaries located at the Properties.
- (b) Goodwill of the Opal Subsidiaries in connection with the Opal Subsidiaries' business together with the right (insofar as the companies have the right to grant the same) for the AssetCos to represent themselves as carrying on the business in succession to the Opal Subsidiaries.
- (c) The contracts of the Opal Subsidiaries together with undertakings, arrangements, agreements, commitments and orders entered into by or on behalf of the Opal Subsidiaries or the Opal Administrators of the Opal Subsidiaries prior to Completion for the supply by or to the Opal Subsidiaries of goods and/or the provision of services to customers and/or clients of the business which remain (in the whole or in part) to be performed by the Opal Subsidiaries on or after Completion but excluding contracts of employment and managing agents contracts.
- (d) Fixed assets meaning all fixtures and fittings, plant, machinery, equipment and other tangible assets physically attached to the Properties and owned by the Opal Subsidiaries at the Issue Date.
- (e) Intellectual property means all patents, trade names and marks, business names, rights in designs, domain names, rights in get-up, copyrights and related rights, database rights, rights to goodwill or to sue for passing off, the right to apply for and applications for any of the preceding items, together with the rights in inventions, processes, rights in computer software, rights in confidential information (including know-how, trade or business secrets or any process) and any other intellectual property rights, in each case, whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world owned, used or licensed by or to the business of the Opal Subsidiaries.
- (f) meaning the buying, production, promotional, sales and other commercial information used in the business of the Opal Subsidiaries in relation to the assets included in the requisition together with the health and safety information for the Properties, manuals relating to the operation and maintenance of the Properties, building and service plans for the Properties and the management information of the Opal Subsidiaries.

- (g) Licences (meaning the benefit of all licences, consents, permissions, authorisations and approvals required for carrying on the business in the manner carried on by the Opal Subsidiaries immediately prior to Completion including the HMO Licence for any of the Properties).
- (h) Rent held by the Opal Administrators for the AssetCos that will be deposited in the Collection Accounts.

The Opal Administrators and each AssetCo have agreed, under the terms of each Sale & Purchase Agreement, as follows:

- (a) on the Business Day immediately following the Issue Date, the Opal Administrators will deposit an amount of £327,000 into the Sinking Fund Account held by Multi AssetCo in respect of the Greenwich Property and will deposit an amount of £228,000 into the Sinking Fund Account held by Single AssetCo
- (b) the Opal Administrators will deposit an amount of £1,550,000 into an escrow retention account to be held by Osborne Clarke on terms such that the deposited amount will be released and may be retained by the Opal Administrators upon either (a) the delivery to Multi AssetCo of a binding and enforceable right of access to the rear of the Manchester Property or (b) the grant of planning permission and selection of a contractor to carry out works for an alternative access at the Manchester Property in each case on or before 31 December 2014. In the event that planning permission for an alternative access is obtained before 15 September 2014, a sum in respect of the cost of the works (including any costs arising from any s.106 agreements) and the diminution in value of the Manchester Property caused by the loss of rooms (to be calculated at a rate of £51,000 per room) will be released from the escrow retention account and paid to Multi AssetCo.
- (c) the Opal Administrators will retain the Occupational Lease Rent (which includes rent due under the commercial leases and rent due under the student assured shorthold tenancies) attributable to the period up to and including the Issue Date and will pay the relevant AssetCo the Occupational Lease Rent attributable to the period after the Issue Date of approximately £3,100,000.
- (d) the Opal Administrators acknowledge that they may receive ongoing Occupational Lease Rents and have agreed to provide statements of any Ongoing Occupational Rent received post the Issue Date and pay such sums to the AssetCos on request for a period to 31 August 2014 (or the Opal Administrators vacation of office if sooner). The Opal Administrators will be liable to each AssetCo for any failure to perform the obligations described above however, in common with the market approach for purchasing assets from companies that are in administration, the Opal Administrators have accepted no further obligations and will be giving no warranties as to title, condition or otherwise in relation to the Properties or the Supplementary Assets and
- (e) the Opal Administrators will procure the payment of a total £804,250 to (or on behalf of) the AssetCos in respect of miscellaneous items such as gym decommissioning costs, rent deposits, transfer of services and outstanding works.

Rental income received in respect of the Properties that was due and payable before Completion but was received by the AssetCos after Completion (such rental income being **Rent Arrears**) shall be payable to the Opal Administrators and shall not comprise funds available for the payment of principal and interest under the On-Loans or, ultimately, the Notes.

Due diligence

Osborne Clarke, solicitors, instructed by CLV, have investigated the titles, to each of the Properties and have issued a certificate of title in relation to each Property (each, a **Certificate** and together the **Certificates**). The Certificates are in the City of London Law Society format, seventh edition subject to such amendments as have been agreed.

In addition to the Certificates, Osborne Clarke have also issued a diligence report (the **Diligence Report**) which summarises and reports upon the O&M Contracts and Construction Contracts relating to the Properties.

Osborne Clarke have confirmed in each of the Certificates that they know of no reason why the AssetCos should not be registered as proprietors of the relevant Properties nor of any reason why the Security Trustee should not be registered as the registered proprietor of a charge over each Property following their acquisition as contemplated by the Transaction.

Any issues disclosed by the Certificates of Title and Diligence Report that are considered material and require to be disclosed are referred to in the relevant property specific paragraph below and to the extent appropriate in the section above entitled *Risk Factors*. The acquisition from the Opal Administrators is referred to above and it should be noted that the Opal Administrators will not give any title guarantee in relation to the transfer of the Properties and will not warrant replies to enquiries or information disclosed. This approach adopted by the Opal Administrators is referred to in greater detail in the section above entitled *Risk Factors*.

O&M Provider's approach to operating the Properties

Marketing the rooms

In developing the sales and marketing strategy for the letting of rooms at the Properties, CLV's core expertise of working in university relationships catering to a predominantly first year cohort (whilst having a strong capability to attract returning students) will be highly relevant in seeking to maximise occupancy at the Properties.

The strategy referred to above will be applied in relation to all of the Properties save that in relation to the Leeds 1 Property, which caters for the more independent second and third year students, the strategy will be adapted to reflect the different student year group focus.

Rent setting

In line with market expectations regarding the time at which rent rates are published, the Existing Property Managers have set and published the rent rates for 2014/15. The Existing Property Managers will continue, following acquisition of the Properties, in their current management role on the terms of the O&M Sub-Contracts as referred to and described in the section below relating to O&M Contracts. Rents for the academic year 2015/2016 will be set by the O&M Provider based upon its analysis of the local market, cost increases and restrictions in any Property Scheme Arrangements. Specific activities include:

- (a) active monitoring of competitor rates and contract terms to ensure rents remain at market or better; and
- (b) carefully considered campaigns, including early bird discounting and referral schemes to strengthen the rate setting arrangements.

Rent collection and payment

CLV has an online integrated rent collection system, 'StarRez', which it uses for management of its properties globally. The system is able to generate reminders and keep track of payments and is used to ensure that rent collection and payment is handled in a timely and efficient manner. Staff on site at each Property are also able to liaise with student tenants and facilitate rent collection.

The O&M Provider is responsible for collection of rents, either direct from students or from relevant universities as applicable (or, in the case of rental payments due shortly after Completion, from the previous operators of the Properties), and for ensuring payment of such rents into the Rent Collection Accounts.

The rent collection process is described in more detail in the section below relating to O&M Contracts.

Provision of services

A wide range of services are provided to the residents including pastoral care which is designed to align with relationship universities ensuring the residents get full support outside of the university; 24 hour reception cover and security, creating a safe and secure environment and allowing for the

residents to report any faults or maintenance issues at any given time; and security cover to ensure that there is controlled access to the buildings at the Properties.

Cleaning services are provided as a part of the service provided at each Property. In addition, a further added value benefit which completes the full provision of services is the residential life programme which is not only customised to the site and the demographic living there but also strengthens university relationships as it ties into their overall student experience.

Property University relationship and effect on cash flows

CLV's sales and marketing strategy aims to reinforce and further develop existing university relationships. Discussions are ongoing with each of the universities either to improve the terms of existing nomination agreements or enter into new ones. CLV understands that developing these relationships is fundamentally important and it recognises the positive effect this can have in de-risking the portfolio and on cash flows. In developing these relationships, CLV has strongly promoted its residential life ethos, which has been warmly received in initial meetings with each relationship university to date, as well as its relationship approach to ensuring the properties are seen where applicable to be an extension of the university's estate.

Credit and void risk

Pursuant to the O&M Contracts, the O&M Provider will manage the relevant AssetCo's credit and void risk on all direct let rooms across the Property Portfolio. Depending on the specific terms of the nomination agreements that are in place or being negotiated, the credit and void risk will sit with either the relevant AssetCo, the relevant Property University or a combination of the two.

Void risk under the Property Scheme Agreements is typically split into two distinct issues: (a) rooms allocated to or nominated by a Property University, which are not let to students; and (b) rooms which are vacated by a student during an academic year, whether or not the tenancy expires or is terminated. On many of the Property Schemes (such as Greenwich – Trinity Laban, Leeds 1 and the University of Liverpool licence), the Property University takes the risk of both elements. On the Birmingham Property, the risk is shared, as the Property University guarantees the rents for rooms nominated, which are not subject to tenancies and Multi AssetCo (through the O&M Provider) is responsible where rooms subject to tenancies are vacated. Under the nominations agreement with Liverpool John Moores University, Multi AssetCo (through the O&M Provider) takes the risk of both elements and, in particular, is expressly required under that agreement to release and refund students where they withdraw for medical or welfare reasons.

In terms of credit risk, this is either in respect of the covenant strength of the Property University or the students subject to tenancies. Where the relevant AssetCo is directly entering into student tenancies, then unless the Property University is underwriting void risk (as above), AssetCo will be reliant on each student's covenant (and that of any guarantor which may have been requested). Where a Property University is underwriting void risk, then the relevant AssetCo will taking the risk on that Property University's covenant.

For example, in relation to the Leeds 2 Property, it should be noted that this Property is subject to a lease of the whole Property in favour of Leeds Metropolitan University expiring in 2031 (with an annual break clause) at a current passing rent of £2.39m per annum. Further details of this lease are set out at the section below relating to the *Leeds 2 Property*. For so long as the lease to Leeds Metropolitan University subsists then Multi AssetCo's direct credit risk in relation to Leeds 2 is therefore the covenant strength of Leeds Metropolitan University.

Insurance

As at the Issue Date, the following insurances will be in place in relation to the Properties and the business of the AssetCos:

- (a) buildings insurance cover against all risks (including terrorism) in an amount equal to the full reinstatement value of each Property together with loss of rent for a period of 24 months;
- (b) public liability insurance cover in an amount not less than £50 million;

- (c) employers' liability insurance in an amount not less than £10 million;
- (d) professional indemnity insurance in an amount not less than £2 million.

The buildings insurance and loss of rent insurance is covered under a CLV global policy with XL Insurance Australia; the remaining insurances referred to at (b) to (d) above are covered by Royal & Sun Alliance Insurance Plc. In the case of the buildings and loss of rent insurance the relevant AssetCo and the AssetCo Security Trustee will be co-insured.

The O&M Contract between the AssetCos and the O&M Provider

On the Issue Date, each AssetCo will enter into operation and maintenance contracts (each an **O&M Contract**) with the O&M Provider in respect of the each of the Properties pursuant to which the O&M Provider will undertake to fulfil the AssetCos' obligations in relation to the provision of services at the Properties and assume the risks relating to their delivery. Each O&M Contract is in a standard form (although the contracts themselves are not identical), the overriding principle of which is that AssetCo passes down to the O&M Provider all of its obligations to provide services and the risks associated with the provision of the services, other than inherent defects and sinking fund adequacy (in respect of each of which, please see further below), for the entire term of the Property Scheme.

Up until their acquisition by each AssetCo on the Issue Date, the Properties have been managed variously by Corporate Residential Management Limited (**CRM**), Frathouse Limited (**Frathouse**) or Touchstone Corporate Property Services Limited (**Touchstone**, and together with CRM and Frathouse, the **Existing Property Managers**). On Completion, the Opal Administrators will novate the subsisting management contracts with the Existing Property Managers to the O&M Provider, with the result that the Existing Property Managers will become sub-contractors to the O&M Provider (the **O&M Sub-Contracts**).

These arrangements will be entered into so as to minimise disruption to the relevant Property University and tenants. The O&M Provider will assume primary responsibility for the provision of the O&M Services to each AssetCo, and each Existing Property Manager will continue to perform its obligations under its O&M Sub-Contract throughout a transitional period of six months after the Issue Date. The O&M Provider proposes to terminate the O&M Sub-Contracts over the period of six months following the Issue Date, leaving the O&M Provider as the sole operator of each Property after the expiry of such transitional period.

The O&M Provider retains a right to terminate the O&M Sub-Contracts for convenience on giving no less than one month's notice to CRM or Frathouse and no less than three months' notice to Touchstone. This is required in order to give the O&M Provider sufficient flexibility as to the point at which it is comfortable assuming full control for the operational delivery of the Properties.

Under the O&M Sub-Contract with Touchstone, only the O&M Provider has an express right to terminate. Thus, Touchstone would have to rely on its common law rights to assert that the O&M Provider has repudiated the contract. The O&M Provider may terminate if Touchstone enters into liquidation, has a receiver or administrator appointed, commits any act of fraud or wilful misconduct or materially or persistently fails to meet key performance criteria (as set out in the O&M Sub-Contract) and fails to remedy such breach within a specified time period.

Under the other O&M Sub-Contracts, the O&M Provider may terminate if the Existing Property Manager enters into liquidation, has a receiver or administrator appointed, ceases to carry on business, fails to pay sums due within 10 (under the O&M Sub-Contract with CRM) or 5 (under the O&M Sub-Contract with Frathouse) working days, or commits any act of fraud or wilful misconduct which would prevent the effective performance of its duties. Either party can notify the other that the defaulting party has committed a material breach. If the defaulting party has failed to remedy that breach within 5 working days of that notice, the innocent party can notify the defaulting party that it is terminating with immediate effect.

Under the O&M Sub-Contract with CRM, the O&M Provider may also terminate if the Property University purports to step-in to the O&M Sub-Contract to replace the O&M Provider, or if the O&M Provider sells or otherwise transfers the Property to a third party.

Under the O&M Sub-Contract with CRM, where the O&M Provider terminates for convenience or where CRM is entitled to terminate for the O&M Provider's material breach the O&M Provider shall pay to CRM the accrued management fee due thereunder - this is the only specified compensation payable on termination. Under the other O&M Sub-Contracts, there is no express remedy for either party in the event of termination of that contract, but the accrued rights of the parties are preserved on termination. In the event of termination for breach, the terminating party would be entitled to pursue a common law claim for damages to recover any losses it may have incurred as a result of the breach/termination.

The form of the O&M Contract varies depending on the relevant Property. In relation to the Greenwich Property, the O&M Contract (the **Greenwich O&M Contract**) is based on the existing contract for the Existing Property Manager, which has previously been approved by the University and Trinity Laban.

For the remaining Properties, there will be two further O&M Contracts based on arm's length market terms:

- (a) a contract specifically in relation to the Nottingham Property (the **Nottingham O&M Contract**), and
- (b) a contract in relation to the remaining six Properties (the **Multi O&M Contract** and, together with the Nottingham O&M Contract, the **Other O&M Contracts**).

The material terms of the O&M Contracts are set out below, and the provisions of each O&M Contract are themselves materially the same unless otherwise stated.

Services specification

A specification of the services required for each Property Scheme forms part of each O&M Contract (either by incorporating such specification within the O&M Contract or by reference to the underlying Property Scheme Agreement). The services must be carried out by the O&M Provider: (a) in accordance with applicable law, (b) with reasonable skill and care (or in accordance with good industry practice) and (c) in accordance with any relevant Property Scheme Agreement.

The **O&M Services** will include obligations on the O&M Provider in relation to:

- (a) the marketing and letting of units (subject to the AssetCo meeting reasonable marketing costs of items such as brochures, web design and maintenance);
- (b) day-to-day tenant management including holding deposits and preparing Assured Shorthold Tenancies;
- (c) collection of rents and credit control procedures;
- (d) management of accounts and insurance matters;
- (e) maintenance of records (including health and safety file);
- (f) budgeting and business planning;
- (g) contract procurement;
- (h) management of employees; and
- (i) managing the planned maintenance and replacement programme at the Property (if required by the AssetCo, in the case of the Greenwich O&M Contract).

A moratorium regarding compliance with the services specification has been inserted into each of the Other O&M Contracts, whereby the O&M Provider needs only to use all reasonable endeavours to

comply with the services specification for the period from the date of the Other O&M Contracts to the date falling 18 months after the date of such Other O&M Contracts.

The O&M Provider is required to provide a draft budget for each academic year (in respect of the Greenwich O&M Contract) or operating year (in respect of the Other O&M Contracts) for approval by the AssetCo and to operate within the approved budget. Under the Other O&M Contracts, the O&M Provider will receive a lump sum in advance every six months to cover the costs of fulfilling the O&M Services (e.g. amounts due under sub-contracts). In addition, under the Other O&M Contracts, any expenditure which is not in, or is in excess of the sums in, the approved budget (excluding labour costs) may be recovered from the AssetCo by the O&M Provider if such sums were incurred in the performance of the O&M Services (the O&M Provider will carry out a reconciliation every three months of amounts spent against amounts received from the relevant AssetCo, with the difference to be reconciled shortly thereafter). Under the Greenwich O&M Contract, the O&M Provider enters into contracts as agent for the relevant AssetCo, and additional expenditure requires the AssetCo's approval above prescribed limits before the AssetCo is responsible for such expenditure, failing which such expenditure will be for the account of the O&M Provider.

In addition, under the Greenwich O&M Contract, the O&M Provider is required to provide quarterly reports and convene quarterly meetings.

Inherent defects

Under the Greenwich O&M Contract, the O&M Provider is not liable for the consequences of defects in the project buildings which could not reasonably have been known by the O&M Provider. Under the Other O&M Contracts, to the extent the defect gives rise to the need for an item or equipment to be replaced, this would be dealt with as a lifecycle issue (the O&M Provider would be responsible for effecting the replacement, but this would be at AssetCo's cost).

Lifecycle works

The AssetCo retains the risk of the adequacy of the amounts retained for lifecycle works.

Under the Other O&M Contracts, the O&M Provider must report annually to the AssetCo on the works that the O&M Provider considers are required to be undertaken to the project accommodation in relation to lifecycle works for (a) the following year and (b) the next 3 years. The AssetCo decides whether or not the lifecycle works are carried out and may instruct the O&M Provider or a third party to undertake such works.

Under the Greenwich O&M Contract, the O&M Provider needs only to submit a planned maintenance programme if requested by the AssetCo.

Contract price

Under each O&M Contract:

- (a) the O&M Provider will not receive any fixed fee as remuneration for its provision of the O&M Services, but will be entitled to receive an amount equal to:
 - (1) 6% of the gross operating profit (calculated simply by deducting the costs and expenses incurred by the AssetCo under the relevant O&M Contract from all income received by the relevant AssetCo under the relevant O&M Contract) that is attributable to the relevant Property (being the **Relevant Property O&M Calculation Amount**),
less
 - (2) that Property's share of the MSP Fee (as defined in the section entitled *Management Services Agreement*)
such resulting amount being the **Relevant Property O&M Amount**, and
- (b) payment of the Relevant Property O&M Amount will be made in two payments:
 - (1) of an amount equal to:

- (i) 50% of the Relevant Property O&M Calculation Amount,
less
- (ii) that Property's share of the MSP Fee (as noted in (a) above
(such resulting amount being the **Relevant Property O&M Fee**) will be paid by the AssetCo by way of a withdrawal from the Opex Accounts; and
- (2) of an amount equal to the remaining 50% of the Relevant Property O&M Calculation Amount (the **Relevant Property O&M Share**) will be paid on a deferred basis by the Issuer on behalf of the AssetCo in accordance with the Operating Account Priority of Payments.

Recovery of losses

Under the Other O&M Contracts, the relevant AssetCo can recover costs and losses from the O&M Provider where such costs or losses have been incurred as a result of the performance of the relevant O&M Services by the O&M Provider, or any breach by the O&M Provider of the provisions of the O&M Contract.

Under the Greenwich O&M Contract, the O&M Provider shall indemnify Multi AssetCo in respect of any claims made against Multi AssetCo in connection with the Greenwich O&M Contract, unless caused by any act or omission or default or breach of the terms of the Greenwich O&M Contract, breach of statutory duty or gross negligence in the provision of the O&M Services by Multi AssetCo.

The above recoveries of losses are subject to certain exclusions and a cap on liability as described further below.

Multi AssetCo gives a reciprocal indemnity under the Greenwich O&M Contract.

Insurance

See under *O&M Provider's approach to operating the Properties — Insurance* above. Taking out and managing insurance claims is undertaken by the AssetCo.

Damage

Damage in this context means damage to the project buildings caused by occupiers that needs to be remedied before the start of the next academic year.

Damage deposits are held by the AssetCo or the Property University and these are typically between £200 and £250 per student. The O&M Provider is responsible for remedying damage. Subject to any restrictions in the Property Scheme Agreements, the O&M Provider can take enforcement action against the student occupier who caused the damage.

Variations and changes in law

Under the Nottingham O&M Contract and the Multi O&M Contract, the AssetCo can propose a variation to the O&M Contract. After a request for a variation, the O&M Provider must provide an estimate of the cost and any changes required to the services or to the O&M Contract. The AssetCo need not accept the estimate and can refer the estimate to the disputes procedure. The O&M Provider may only proceed with a variation if the AssetCo confirms the estimate.

Caps on liability

Under the O&M Contracts, there is a cap on the liability of the O&M Provider should the AssetCo terminate the O&M Contract for O&M Provider default. The cap is a percentage of the total fees payable to the O&M Provider and the figure is referred to in the section entitled *The Property Portfolio - Compensation on termination*.

These items do not fall within the cap on liability:

- (a) death or personal injury claims;
- (b) fraud, wilful default or gross negligence;

- (c) enforcement costs;
- (d) liabilities arising in respect of TUPE;
- (e) in the Other O&M Contracts, liabilities arising in respect of the provisions dealing with Construction (Design & Management) Regulations 2007 or intellectual property;
- (f) in the Other O&M Contracts, amounts payable by the O&M Provider pursuant to the equivalent project relief provisions of the relevant O&M Contract;
- (g) vitiation of AssetCo's insurance caused solely by O&M Provider (or any related party); or
- (h) any liability that is met by insurance proceeds.

Term

The Nottingham O&M Contract will oblige the O&M Provider to perform the O&M Services until 30 June 2040.

The Multi O&M Contract will oblige the O&M Provider to perform the O&M Services until its expiry date falling on the Final Maturity Date, unless terminated earlier in accordance with its terms. The Greenwich O&M Contract will oblige the O&M Provider to perform the O&M Services until its expiry date falling on the Final Maturity Date, unless terminated earlier in accordance with its terms.

Termination

Multi AssetCo can terminate the Greenwich O&M Contract if:

- (a) the O&M Provider becomes insolvent or suffers an insolvency related event;
- (b) the O&M Provider no longer carries on its business;
- (c) the O&M Provider breaches a material term of the O&M Contract;
- (d) the O&M Provider fails to pay an amount within 30 days of the due date;
- (e) the O&M Provider commits fraud or wilful misconduct;
- (f) an Issuer Enforcement Notice is served; or
- (g) the Property University steps-in to the Greenwich O&M Contract (or purports to do so).

Multi AssetCo can terminate the Multi O&M Contract and Single AssetCo can terminate the Nottingham O&M Contract if:

- (a) the O&M Provider breaches the relevant O&M Contract so as to (1) materially and adversely affect its performance of the O&M Services or (2) directly result in the right of the Property University to terminate an underlying project document;
- (b) the O&M Provider becomes insolvent or suffers an insolvency related event;
- (c) the O&M Provider attempts to transfer its rights or obligations other than in accordance with the terms of the relevant O&M Contract;
- (d) the O&M Provider fails to take out and maintain insurance;
- (e) an Issuer Enforcement Notice is served; or
- (f) the O&M Provider commits a material breach of the relevant O&M Contract which results in the criminal investigation, prosecution and conviction of the O&M Provider (or any related party) or the AssetCo under certain health and safety legislation (subject to certain exceptions).

Single AssetCo may issue a termination notice for an O&M Provider breach under the Nottingham O&M Contract and Multi AssetCo may issue a termination notice for an O&M Provider breach under the Multi O&M Contract, such notice to give a notice period of 40 Business Days, and in the cases listed in (a), (c) and (d) above it must give the O&M Provider the chance to remedy its breach.

Under the Greenwich O&M Contract, Multi AssetCo may terminate with immediate effect for any O&M Provider breach (other than a breach of a material term of the Greenwich O&M Contract, in which case it must give the O&M Provider five working days to remedy such breach). In addition, the AssetCo retains a 'termination for convenience' right and may terminate on giving one month's notice to the O&M Provider.

Under the Greenwich O&M Contract the O&M Provider may only terminate the O&M Contract if the AssetCo is in breach of a material term and has failed to remedy the same within 5 working days of notice of the breach.

Under each Other O&M Contracts the O&M Provider can terminate the O&M Contract if the AssetCo fails to pay undisputed amounts due within 30 working days (during which demands for payment must be served - such notice of termination must then give a further period of 60 working days before the O&M Contract terminates, during which Multi AssetCo may rectify the breach.

Separate clauses under the Nottingham O&M Contract and Multi O&M Contract also deal with:

- (a) termination by the AssetCo for:
 - (1) persistent breach by the O&M Provider (where the AssetCo can terminate if a breach by the O&M Provider is existing for a prescribed number of days or occurs more than a certain number of times within a defined period); and
 - (2) breach of anti-bribery provisions (where the AssetCo can terminate (A) for a breach by the O&M Provider or an employee not acting independently of the O&M Provider (provided that, in respect of certain breaches, termination of the Agreement is in the best interests of the Project), (B) for a breach by a sub-contractor or an employee not acting independently of such sub-contractor (provided that, in respect of certain breaches, termination of the Agreement is in the best interests of the Project) and (C) for a breach by any employee of a sub-contractor acting independently thereof, or any other person, (whether acting independently or not) unless the O&M Provider has terminated (or procured the termination of) the employment of such person; and
- (b) termination by either party following Force Majeure (which must have caused a party to be unable to perform its obligations for a period of 90 days).

Under the Nottingham O&M Contract, the O&M Provider's ability to terminate the O&M Contract is restricted in certain circumstances by the terms of a direct agreement between Single AssetCo, the O&M Provider and the University of Nottingham.

Compensation on termination

Under the O&M Contracts, compensation is payable by the AssetCo to the O&M Provider following termination (a) for AssetCo default, where such compensation is limited to redundancy payments of employees of the O&M Provider and various costs relating to of the termination of any sub-contracts or third party arrangements entered into by it (subject to certain conditions) and (b) by the AssetCo following receipt by the Issuer of an Issuer Enforcement Notice, where such compensation is limited to an amount equal to the payments described in (a) above plus the Relevant Property O&M Fee and the Relevant Property O&M Share payable for that Operating Year (except where a default on the part of the O&M Provider is also continuing, in which case no compensation will be payable to the O&M Provider) *provided that*, following termination following an Issuer Enforcement Notice, the O&M Provider agrees that, if the AssetCos then terminate the O&M Contracts in respect of all Properties, the aggregate amount of compensation payable to the O&M Provider in respect of such Properties shall be capped at £700,000 (indexed in accordance with RPI).

In addition, under the Greenwich O&M Contract compensation on termination is payable by the AssetCo to the O&M Provider on termination for convenience. This is calculated in the same way as in (a) above. Under the Greenwich O&M Contract, the O&M Provider is required to repay any fees paid to it that relate to O&M Services that would have been performed after the relevant termination date.

Under the Other O&M Contracts compensation is payable by the O&M Provider to the AssetCo following termination for default, persistent breach or breach of anti-bribery provisions by the O&M Provider. The O&M Provider's liability in respect of termination for breach of anti-bribery provisions is not capped. The O&M Provider's liability in respect of termination for its default or persistent breach is limited to 200% of the relevant management fee payable to it for that operating year for the relevant Property (although there are numerous carve-outs to such cap, such as enforcement costs of the AssetCo, losses due to wilful default or gross negligence of the O&M Provider, and losses covered by insurance). See the section entitled *Caps on liability* above.

Under the Greenwich O&M Contract there is no express right for the AssetCo to seek payment of compensation on termination for O&M Provider default under the O&M Contract; the AssetCo would have to pursue a common law claim for breach of contract in order to seek recovery of compensation by way of damages.

Management Services for the Issuer and the AssetCos

The AssetCos and the Issuer have entered into a Management Services Agreement with CLV, as Management Services Provider on an exclusive basis to provide corporate management, transaction management and company secretarial services to each of them in connection with their legal and other obligations pursuant to the Issuer Transaction Documents as described in the section entitled *Description of the Issuer Transaction Documents — Management Services Agreement*.

Historic financial and operating performance of the Property Portfolio

The following table is the Opal Administrators' summary of the occupancy performance at each of the Properties over the last three years and the rent collected last year:

<i>Asset</i>	<i>Rent 2013/14 £m total</i>	<i>Occupancy Prev 3yrs Ave</i>	<i>Occupancy 2013/14</i>
Birmingham	£2.83m	100%	100%
Greenwich	£5.21m	100%	100%
Leeds 1	£2.48m	100%	100%
Leeds 2	£2.78m	100%	100%
Liverpool	£2.36m	100%	100%
Manchester	£1.60m	100%	100%
Newport	£0.96m	97%	c.55%
Nottingham	£3.11m	83%	c.85%
Total/Average	£21.33m	97%	93%

Source: Opal Administrators

Opal administration

Prior to its administration, Opal was a privately owned student accommodation property company. The Properties being acquired are a portion of the beds that formed Opal's portfolio. Opal built up their portfolio through the 2000's.

From information publicly available, it is understood that Opal placed high levels of debt with short refinancing horizons and subsequently fell into difficulty as the debt became due, causing its banks to step in.

Existing finance

From information publicly available, CLV understands that there is less debt to service under its proposed financing solution than was the case under Opal and that due to the nature of the proposed finance, refinancing risk is minimised.

Property Scheme specific summaries

The business of the AssetCos is to procure that the rooms at the Properties are let to students on the basis of Assured Shorthold Tenancies (each an **AST**). In order to effect such lettings the AssetCos will either let the rooms directly to students or, as is referred to below, a nominations agreement, lease

or licence may be in place and agreed with a Property University in relation to a particular Property. These arrangements with Property Universities are referred to collectively as **Property Schemes**.

In the summaries relating to the Property Schemes the defined terms below have the following meanings:

- (a) **Even Handed Basis** means an obligation on the Property University to market and allocate the accommodation which is the subject matter of the property scheme agreement on the same basis as student accommodation owned, controlled or managed by the Property University; and
- (b) **Preferential** means an obligation on the Property University to market and/or the student accommodation managed by CLV in preference to all student accommodation owned, controlled or managed by the Property University.

Birmingham Property

1, Belgrave Middleway, Birmingham, B5 7AJ.

Multi AssetCo will acquire the Birmingham Property which provides accommodation for students studying at the University of Birmingham, Birmingham City University and Aston University.

The accommodation

<i>University:</i>	University of Birmingham; Birmingham City University; Aston University.
<i>Number of rooms:</i>	604
<i>Accommodation:</i>	Standard en-suite, standard plus en-suite, deluxe en-suite and super deluxe en-suite arranged as cluster flats with a shared communal kitchen within five blocks.
<i>Location:</i>	1 mile South of Birmingham City University's Conservatoire Campus, 1 mile East of Birmingham City University's City South Campus, 1.5 miles South of Aston University; and 1.5 miles North East of the University of Birmingham . Note that Birmingham City University is expanding its Millennium Point Campus at Eastside 1.25 miles to the South West.
<i>Age:</i>	The building was completed in 2007.
<i>Student to bed ratio:</i>	3.2:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>)
<i>University stock (University/Others):</i>	65.8 per cent. / 34.2 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.
<i>Other details:</i>	Russell Group City. The three universities that this Property serves are all top 100 ranked in the Times Good University Guide. Rooms in 2013/14 have 98 per cent. occupancy.

Title and Property Matters

Tenure

The title to the Birmingham Property is freehold

Matters affecting the Property

The Certificate of Title in relation to the Birmingham Property discloses the following of note:

- (a) The Birmingham Property is subject to restrictive covenants in favour of Optima Community Association (**Optima**) contained in a transfer dated 3 October 2005 as follows:
- (1) not to use the property other than for student accommodation and ancillary sports and other facilities without Optima's consent (not to be unreasonably withheld or delayed);
 - (2) not to reduce the type or quality of sports facilities before 2030 without Optima's consent (not to be unreasonably withheld or delayed);
 - (3) not before October 2030 to demolish, add to or redevelop buildings at the property without Optima's consent;
 - (4) any transferee of the Property (either of the freehold or a lease in excess of 50 years) is to enter into a direct covenant in respect of the positive covenants referred to below.

In addition, Optima has a right to use a meeting room at the property, at agreed times; it also has a right to use sports facilities at the Birmingham Property on the basis that up to 30% of members' places should be available to Optima residents; obligations are imposed on the owner of the Birmingham Property to meet certain management obligations in relation to the sports facilities. It is understood that in practice 95% of the membership is students.

The same transfer also contains a positive covenant by the owner of the Birmingham Property to observe certain matters set out in a schedule to a sale agreement with Optima dated 4 May 2004, however the details of these covenants have not been disclosed and a copy of the sale agreement is unavailable;

- (b) The Birmingham Property is subject to potential chancel repair liability; as a condition precedent to drawdown under the On-Loan Agreement Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000.

Building Survey/Environmental

The building structure and fabric are relatively new and generally in good condition with only normal maintenance work required. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low to moderate whilst the site remains in its current use and form.

Construction

The construction of the Birmingham Property was procured in 2006 with Ocon Construction Limited as the main contractor on the basis of a JCT standard form design and build contract. The main contractor and a number of the sub-contractors are now insolvent and so there is no recourse available in respect of any construction defects that may arise at the Property. The benefit of the building contract will not be assigned to Multi AssetCo.

Multi AssetCo has been informed that no sub-contractor warranties are available in relation to this Property.

Multi AssetCo will take an assignment of the appointments with the architect and with the employer's agent/ planning supervisor and mechanical/ electrical engineer.

Assured Shorthold Tenancies

All of the rooms at the Birmingham Property are let to individual occupiers on the terms of standard form AST granted under the Housing Act 1988, in line with standard practice.

The agreements are mainly for a term of 43 or 51 weeks but there are a very small number of shorter terms. Rent is paid either the full year in advance or in four instalments as set out below (in which case a guarantor of the tenant's obligations is required).

There are 604 rooms at the Birmingham Property and the relevant Opal Subsidiary has been responsible for the direct letting of 424 of those rooms; any such lettings are on the standard AST terms referred to above.

The remaining 180 rooms are the subject of a nomination agreement (as referred to below) pursuant to which the Birmingham City University markets and lets these rooms on the standard AST terms.

Property Scheme

Nomination agreement

The letting of certain of the student accommodation at the Birmingham Property is regulated by a Nominations Agreement dated 15 June 2011 made between (1) Birmingham City University (referred to below as the University) and (2) Birmingham One Limited (**BOL**) (the **Birmingham Property Scheme Agreement**).

The agreement was extended in June 2013 and ends on 7 July 2014; it is not automatically renewed. There are reciprocal termination rights for material breach but the University default requires notice of three months and termination can only take effect at the end of the academic year. The University can terminate on the occurrence of certain insolvency events in relation to BOL.

The agreement relates to 180 rooms that are to be made available to the University enabling it to propose nominee tenants. The University is to include the Property in its marketing campaign and website, provide an application form for the accommodation at the Property, handle enquiries and make all records available. BOL is to grant ASTs to the nominees.

The University will market and promote the Property on an Even Handed Basis.

The rent per room has been increased in accordance with RPI at the beginning of each academic year. Rent instalments are payable in arrears by tenants; 4.65% on signing the AST, 32.5% on 4 September, 32.5% on 24 January and 20.23% on 25 April.

BOL is responsible for the collection of rents, although this is currently through the Existing Property Manager. On Completion, ultimately this responsibility will fall to the O&M Provider under the O&M Contract with Multi AssetCo.

The University receives a management services fee of 8.62% of the rents collected plus VAT payable in three instalments on 27 September, 31 January, and 18 April each year.

The University assumes void risks, for rooms which are not let and pays the guaranteed rent to BOL on 12 December, 20 March and 4 July each year. BOL assumes void risks in relation to rooms vacated during the year or in respect of which rent is not paid. BOL is entitled to income from summer lets.

BOL is responsible for providing a range of services including buildings insurance, students' contents insurance, property management and maintenance, security and laundry facilities, gym facilities and broadband. The University is responsible for the cost of damage to rooms by tenants, subject to fair wear and tear. BOL is responsible for assessment and payment of council tax directly with the tenants.

The agreement will be novated to Multi AssetCo at Completion and the University will consent to its charging.

The agreement is only capable of being assigned by BOL to an entity that purchases, or becomes entitled to the reversionary interest in, the Property.

Ancillary occupation

A leisure unit at the Birmingham Property is operated by Motive8 Limited under a management agreement dated 14 June 2013. Motive8 Limited is entitled to a fee of £10,400 per annum for operating the facility.

This agreement can be terminated by either party on three months' notice, or immediately in the event of a sale of the Property, breach of covenant by either party, or insolvency of Motive8 Limited. There are various provisions relating to the approval by the Property Owner of a budget for running the facility and the Property Owner will make available an amount of up to £2,000 per annum for staff training.

On or following Completion this management agreement will be novated to the O&M Provider.

In certain circumstances where the Property Owner terminates the agreement or Motive8 Limited terminates on a breach by the Property Owner then the Property Owner will pay a fee to Motive8 Limited equivalent to 12 weeks' management fee and 12 weeks' salary of employees employed at the facility.

Property management

The existing and proposed arrangements in relation to the management of the Birmingham Property are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*).

Greenwich Property

Opal 2, McMillan Student Village, Creek Road, Greenwich, London SE8 3BU.

Multi AssetCo will acquire the Greenwich Property which provides accommodation for students studying at the University of Greenwich, Trinity Laban and Bellerby's.

The accommodation

<i>University:</i>	University of Greenwich; Trinity Laban Bellerby's.
<i>Number of rooms:</i>	824
<i>Accommodation:</i>	371 bedrooms arranged in clusters and 453 studios in eight blocks.
<i>Location:</i>	On the North side of Creek Road; on the junction with Deptford Church Street in Deptford.
<i>Age:</i>	The building was completed in 2004.
<i>Student to bed ratio:</i>	12.04:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	56.8 per cent. / 43.2 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.
<i>Other details:</i>	Russell Group City. Rooms in 2013/14 have 100 per cent. occupancy.

Title and Property Matters

Tenure

Freehold.

Matters affecting the Property

The Certificate of Title in relation to the Greenwich Property discloses the following note of:

- (a) A restriction prevents disposition of the Greenwich Property without a certificate confirming that the subsequent transferee has entered into a deed of covenant on specified terms;

- (b) Bellerby's Educational Services Limited has a right to purchase for £1 the freehold reversion to Blocks J, K and L to the premises by serving a notice at any time after 24 September 2014 and before 23 September 2025. Opal can require Bellerby's to exercise this right at any time after 24 September 2014;
- (c) Part of the Greenwich Property is subject to a restriction prohibiting its use as a public house, shop or as a registered club;
- (d) The Greenwich Property is subject to potential Chancel repair liability; as a condition precedent to drawdown under the On-Loan Agreement Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000.

Building Survey/Environmental

The structure and fabric of all buildings are about 10 years old and generally in good condition with normal maintenance work required including repairs to water leakage together with redecoration in the early years. The M&E services are similarly in good condition and operational working order although replacement of panel heaters will be required in the near term. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered to be low whilst the site remains in its current use and form.

Construction

The construction of this Property was procured in 2002 with Jarvis Construction (UK) Limited as the main contractor on the basis, it is understood, of a JCT standard form design and build contract. The Opal Administrators do not have a copy of the building contract for the works. The main contractor is now insolvent and a number of the sub-contractors are insolvent, so there is no significant recourse available in respect of any construction defects that may arise at the Property. The benefit of these contracts will therefore not be assigned to Multi AssetCo.

Multi AssetCo will take an assignment of the collateral warranties provided by the architect, mechanical/ electrical engineer and structural engineer.

However, the AssetCo does not have a copy of the underlying contracts to which the collateral warranties relate, and this would significantly and detrimentally affect the value of any rights of recourse that the AssetCo may have under the collateral warranties.

Assured Shorthold Tenancies

The rooms are to be let to the individual occupiers under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice.

The agreements are for a term of 40, 51 or 52 weeks. Rent is paid either the full year in advance or in termly instalments (in which case a guarantor of the tenant's obligations is required).

There are 824 rooms at the Greenwich Property and the relevant Opal Subsidiary has been responsible for the direct letting of 142 rooms, in each case when let on the standard AST terms referred to above.

The remaining 682 rooms are the subject of three Leases (as referred to in the following section - *Leases*) and a Reservation Agreement (as referred to in the following section - *Reservation Agreement*).

Property Scheme

Leases

The Property is let on the basis of three principal leases (together the **Greenwich Property Scheme Agreement**) to the University of Greenwich covering the accommodation Blocks A-F, Block G and Block H, all of which generate income for Opal. A lease of Blocks J-L was granted at a premium and does not generate income. Leases of ancillary areas are also referred to below.

(a) *Lease of Blocks A-F*

Blocks A-F are subject to a lease dated 18 October 2005 (varied by a Deed of Variation dated 31 January 2006) made between (1) UPP (Rachel McMillan) Limited and (2) University of Greenwich.

Excluded from the demise are car parking spaces, certain ground floor areas at block B, D and F, and 'exempt residences' as defined in sub-section (e) below.

The lease is for a term of 40 years from 18 September 2004, expiring 17 September 2044. It is contracted out of the Landlord and Tenant Act 1954.

There is a break clause exercisable by the tenant at the end of each academic year provided that the tenant has not exercised nomination or allocation rights under the lease in the prior three years.

Either party may terminate the lease in the event of a material breach or insolvency.

The permitted use under the lease is residential accommodation and ancillary purposes.

The lease provides that the landlord sets the level and rates of rent for the rooms and the fees payable by students for additional services.

The rent payable under the Lease is the sum of

- (1) rents received by the University less sinking fund contributions;
- (2) supplementary fees paid by the students for additional facilities;
- (3) 94% of the amounts of licence fees payable for each summer vacation less any amounts due to any agent or sub-agent; and
- (4) any sum paid to the tenant in respect of damage to the Property.

The tenant pays a fixed sinking fund contribution quarterly in advance. There is no payment due for the year 2014, for the year 2015 the payable amount is £7,223.

Assignment of the whole of the Premises is permitted after 18 September 2019, with landlord's such consent not to be unreasonably withheld or delayed.

The tenant is responsible for keeping the Property in good repair and maintaining buildings insurance in joint names.

The lease can be forfeit for breach of covenant, for payment of rent and insolvency of the tenant.

The lease provides for certain administrative arrangements pursuant to which the landlord acts as agent of the tenant for the collection of rents and deposits. The administrative provisions provide for amongst other matters (1) the nomination of a Liaison Committee to monitor the services provided; (2) promotion and marketing of rooms by the tenant in accordance with the landlord's directions. The tenant will, prior to 28 February, nominate tenants in respect of lettings for the next academic year and to the extent rooms have not been nominated by 28 February then the landlord can let rooms directly (as the agent of the tenant) to non students.

(b) *Lease of Block G*

(excluding part of ground, first, second and third floor, the parking spaces and the exempt residences).

Block G is subject to a lease dated 18 October 2005 (varied by a Deed of Variation dated 31 January 2006) made between (1) UPP (Rachel McMillan) Limited and (2) University of Greenwich.

The lease is for a term of 40 years from 18 September 2004, expiring 17 September 2044. It is contracted out of the Landlord and Tenant Act 1954.

The lease is materially on the same terms as the lease of Blocks A-F summarised at paragraph 1 above.

(c) *Lease of Block H*

(excluding part of the ground floor, the car parking spaces, and the exempt residences)

Block H is subject to a Lease is dated 18 May 2005 (varied by a Deed of Variation dated 31 January 2006) made between (1) UPP (Rachel McMillan) Limited and (2) University of Greenwich.

The lease is for a term of 40 years from 8 September 2004, expiring 7 September 2044. It is contracted out of the Landlord and Tenant Act 1954.

The lease is materially on the same terms as the lease of Blocks A-F summarised at paragraph 1 above.

(d) *Lease of Blocks J-L*

Blocks J, K and L have been let on a long Lease dated 24 September 2004 made between (1) UPP (Rachel MacMillan) Limited and (2) Bellerbys Educational Services Limited.

The Lease is for a term of 150 years. It is not contracted out of the Landlord and Tenant Act 1954

There is a peppercorn rent payable.

The permitted use under the lease is residences for students.

A service charge is payable by reference to the tenant's proportion of the services provided.

There no restrictions in relation to alienation (assignment, underletting, charging); the lease may be forfeit for breach of tenant's covenant. The tenant is to insure the premises and keep them clean and tidy.

There is a right for the tenant to purchase/require to purchase the landlord's reversion to the premises after 24 September 2014 and before 23 September 2025 at a nominal value of £1 or for the landlord to require the tenant to do so.

(e) *Areas retained by Opal*

(1) *Exempt residences* - Under the deeds of variation to the leases for Blocks A to F and G, Opal excluded 175 'exempt residences' from the University nominations process, despite the rooms still being subject to the lease demise. (Opal may elect to offer some of these rooms to the University, either on the same or on a different basis to the contractual nomination process, as it may decide.)

(2) *Classrooms occupying part of Block H* - A Lease is dated 20 January 2009 made between (1) Opal Greenwich 1 Limited and (2) Bellerbys Educational Services Limited for a term of 30 years subject to a mutual break clause expiring on 1 January in 2015 and every three years thereafter.

The current annual rent is £12,612.20 subject to upward only review on 1 January each year. A Service Charge is payable by the tenant including a contribution to the cost of insurance.

The tenant is not permitted to assign or underlet the whole or any part of the Premises.

The lease otherwise does not contain any unusual or onerous terms for a lease of this kind.

(3) *Licence Agreement re rooms 11 to 17 6th Floor of Block H* - The agreement is dated 19 July 2012 and was made between (1) Opal 2 London, McMillan Student Village and (2) Greenwich School of English (G.S.E.) London. The agreement is on a yearly rolling basis to be agreed between the parties by 30 May each year. Each party may terminate the agreement on notice.

The current fee payable is £63,464.80 per year (less 4 per cent. discount for payment in advance)/net £60,926.21.

- (4) *Part of ground, first, second and third floor of Block G* - The Lease is dated 24 February 2005 and was made between (1) UPP (Rachel MacMillan) Limited and (2) Bellerbys Educational Services Limited for a term of 40 years subject to a tenant's break clause exercisable by 9 months notice to expire on 13 September 2034. It is not contracted out of the Landlord and Tenant Act 1954.

The current rent is £822,727.36 payable on usual quarter days and subject to RPI review on 1 September each year. There is no service charge and the tenant does not contribute to costs of insurance.

The permitted use under the lease is residences for students.

Underletting of the whole or any part of the Premise are not permitted. The tenant may assign the premises with the landlord's consent not to be unreasonably withheld or delayed

The lease can be forfeit for non-payment of rent, breach of covenant or insolvency of the tenant.

Reservation Agreement

Certain of the student accommodation at the Property is let and maintained in accordance with a reservation agreement dated 18 January 2012 made between (1) Opal Greenwich 1 Limited (**OG1L**) and (2) Trinity Laban Conservatoire of Music and Dance Limited. Trinity Laban first entered into such an agreement on 31 January 2006 with UPP Rachel McMillan Limited and the agreement was ultimately novated to OG1L.

OG1L acts as agent of the University of Greenwich in relation to the letting of rooms, as referred to above in the context of the leases to the University. In fulfilling that role, OG1L has entered into the reservation agreement which operates in a similar manner to the nominations agreement referred to in relation to the Properties.

The Reservation Agreement is for the period to the end of the 2024/25 "Academic Year" unless terminated earlier.

Either party can terminate for a material breach or insolvency and on a "Break Date" on 6 months' prior notice. The remaining break dates are 1 September 2015 and 2020.

The agreement relates to 188 rooms and OG1L determines the location of the rooms available for the College to nominate from any of Block A to H. OG1L appoints the College as its sub-agent to let the rooms to its students. Any unreserved rooms after 28 February in any year can be let to persons other than the College's students by the University or OG1L.

The room rents for the year 2012/2013 ranged from £139.93 to £226.66 (the range is set by OG1L by 20 January in each year by reference to RPI (or greater of the rooms rates have been upgraded). The aggregate annual rent payable for the year 2012/2013 by the College to OG1L was £1,320,085.17.

The College assumes risk of voids in relation to reserved rooms (it guarantees student rents to the University) and is to pay instalments of 28% on 19 November, 28% on 19 February, 20% on 19 May and 24% on 19 August.

OG1L pays the College a guaranteed fee equivalent to 2% of the rents of all reserved rooms (whether there is a tenancy or not) plus the interest earned on deposits.

OG1L is to provide facilities management services and insure the premises. The College is responsible for promoting and marketing the rooms at its own cost on an Even Handed Basis with other accommodation available to students and to attempt to ensure the rooms are full and occupied. The College enters into AST with students and is responsible for collection of rents from Students.

The College covenants not to enter into other arrangements to provide residential accommodation for students.

There are no restrictions on OG1L assigning, charging or dealing with the agreement.

The agreement will be novated to Multi AssetCo at Completion.

Ancillary occupation

Certain areas of Blocks G and H excluded from the principal leases to the University of Greenwich referred to above have been let as follows:

Block F Ground Floor retail unit:

The Lease is dated 26 September 2008 (as varied by a Deed of Variation dated 27 March 2012) and was made between (1) Opal Greenwich 1 Limited and (2) Kamil Cayir trading as "Costcutter". The lease was subsequently assigned to the current tenant Sainsbury's Supermarkets Limited.

The lease is for a term of 15 years from 26 September 2008, expiring 25 September 2023. It is not contracted out of the Landlord and Tenant Act 1954. There are no break clauses.

The current annual rent is £44,800 subject to review on an upwards basis only.

The tenant may assign or underlet the whole subject to landlord's consent not to be unreasonably withheld or delayed; the lease can be forfeit for breach of covenant, or payment of rent for insolvency of the tenant.

The tenant is responsible for keeping the premises in good repair and maintenance. The landlord is responsible to insure the Property and the tenant pays an annual Service Charge including a contribution to the cost of insurance.

Property management

The existing and proposed arrangements in relation to the management of the Properties are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*).

Leeds 1 Property

Opal 3, Jacob Street, Leeds LS2 8BR.

Multi AssetCo will acquire the Leeds 1 Property which provides accommodation for students studying at the University of Leeds and Leeds Metropolitan University.

The accommodation

<i>University:</i>	University of Leeds; Leeds Metropolitan University.
<i>Number of rooms:</i>	542
<i>Accommodation:</i>	Standard en-suite, standard plus en-suite and deluxe en-suite arranged in cluster flats of three to six bedrooms with 32 studios, 4 one bedroom and 4 two bedroom flats.
<i>Location:</i>	At the Northern edge of Leeds city centre fronting onto Lovell Park Road; near the city centre and the main campuses of The University of Leeds and Leeds Metropolitan University.
<i>Age:</i>	The building was completed in 2008.
<i>Student to bed ratio:</i>	3.04:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	71.1 per cent. / 28.9 per cent. (Academic Year 2013/2014).

<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.
<i>Other details:</i>	Russell Group City. Rooms 2013/14 have 100 per cent. occupancy.

Title and Property Matters

Tenure

The title to the Leeds 1 Property is made up of two freehold titles and a leasehold title.

The long lease is dated 2 February 2006 and is for a term of 999 years from 2 February 2006 at a peppercorn rent and otherwise on usual terms for a long lease.

Following the development of the property as required by the lease the relevant Opal Subsidiary exercised an option to acquire the freehold reversion to the leasehold property.

The Opal company is therefore both the Landlord and the Tenant under the Headlease although the freehold and leasehold titles have not been merged. As a result, Multi AssetCo will at completion acquire the leasehold interests and the related freehold reversion.

Matters affecting the Property

As a condition precedent to drawdown under the On-Loan Agreement an indemnity insurance policy providing indemnity cover up to £31,500,000.00 will be obtained to cover the following defects in title:

- (a) the principal pedestrian access to the Leeds 1 Property does not immediately abut an adopted highway;
- (b) a ramp installed for disabled access to the principal pedestrian access has been constructed on adjoining (unregistered) land, the ownership of which is unknown; and
- (c) two disabled parking spaces were constructed at the rear of the Leeds 1 Property (for use by occupiers of the Leeds 1 Property) but the spaces do not immediately abut an adopted highway. There is a small strip of unregistered land between the parking spaces and the adopted highway (it is not known who owns this strip of land).

The Leeds 1 Property is subject to potential chancel repair liability: as a condition precedent to drawdown under the On-loan Agreement the Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000;

Building Survey/Environmental

The building structure and fabric are 5-6 years old and generally in good condition with relatively minor maintenance and repairs required to the elevations and kitchen and bathroom areas. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low to moderate whilst the site remains in its current use and form.

Matters affecting the Property

The Certificate of Title in relation to the Leeds 1 Property discloses the following of note:

- (a) the Leeds 1 Property is subject to potential chancel repair liability: as a condition precedent to drawdown under the On-Loan Agreement Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000; and
- (b) a passage to the side of (and not included within) the Leeds 1 Property is unregistered land, the ownership of which is unknown. This passage is not material for access to the Leeds 1 Property (which abuts a publically maintained highway) save that Opal constructed a disabled access ramp on this accessway, meaning that disabled occupiers of the building (wheelchair users) do cross over the unregistered land in or to access the Leeds 1 Property. In the event that this accessway

were to become unavailable and Multi AssetCo were required to remove the disabled ramp, an alternative means of disabled access (a wheelchair lift) would be set up within the boundary of the Leeds 1 Property at an estimated cost of £15,000.

Construction

The construction of this Property was procured in 2006 with Ocon Construction Limited as the main contractor on the basis of a JCT Standard Form design and build contract. The main contractor and a number of the sub-contractors are now insolvent and so there is no recourse available in respect of any construction defects that may arise at the Property. The benefit of such building contract will not be assigned to Multi AssetCo.

The external and landscaping works were carried out by a different contractor, pursuant to a JCT Intermediate Building Contract 2005. However, the Opal Administrators do not have control over the company that procured these works so the AssetCo will not take an assignment of this building contract.

The AssetCo will take an assignment of the collateral warranty from the architect, and the sub-contractor collateral warranties in respect of the piling, civil/ structural engineering, cladding and lift installation works.

Assured Shorthold Tenancies

The rooms are to be let to the individual occupiers under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice. The agreements are for a term of 43 or 51 weeks. Rent is paid either the full year in advance or in instalments or depending on whether the student is in accommodation for the first or second semester or for two out of three terms (see http://accommodation.leeds.ac.uk/info/200127/current_students/13/how_to_pay)..

There are 542 rooms at the Leeds 1 Property and the relevant Opal Subsidiary has been responsible for the direct letting of 425 of those rooms in each case on the standard AST terms referred to above.

The remaining 117 rooms are the subject of a nomination agreement (as referred to below) pursuant to which the University of Leeds markets and let these rooms on the standard AST terms.

Property Scheme

Nomination agreement

The letting of certain of the student accommodation at the Leeds 1 Property is regulated by a Nominations Agreement (the **Leeds 1 Property Scheme Agreement**) dated 12 September 2013 made between (1) the University of Leeds (referred to below as the University) and (2) Opal Student Accommodation Limited, (**OSAL**).

The agreement is for one academic year, ending on 12 July 2014; it is not automatically renewed. There are reciprocal termination rights for material or persistent breach.

The agreement relates to 117 rooms that are to be made available to the University to enable it to propose nominee student tenants. The University is to market the rooms, process each application for a room, conclude an assured shorthold tenancy with a student as OSAL's agent and account to OSAL for any deposit within 7 days of receipt.

Room rents payable by the University to OSAL per week are set at £109 standard room, £115 standard plus room and £120 deluxe room. The University collects the rents from the student tenants and manages debt and the tenancies. The University assumes the void risk irrespective of whether or not the University has let all of the 117 rooms (or collected the rents from the occupants). The University pays three instalments of £183,280.33 to OSAL on 8 October 2013, 6 February 2014 and 16 April 2014.

OSAL is responsible for providing a range of services including buildings insurance, students' contents insurance, property management and maintenance, security and laundry facilities, gym facilities and

broadband. The University is responsible for the cost of damage to rooms by tenants, subject to fair wear and tear.

The agreement will be novated to Multi AssetCo at Completion and the University will consent to its charging.

The agreement is personal to the University and OSAL; it cannot be assigned, nor any interests/obligations be transferred, without the other party's prior written consent.

Ancillary occupation

A lease granted to Metronet UK Limited allows a small communications cabinet to be located on the roof together with four antennae pedestals. It is for a five year term from 1 March 2011 contracted out of the Landlord & Tenant Act 1954 at an initial rent of £5,000 per annum. A supplemental lease permits installation of a further four antennae pedestals.

The Leeds 1 Property is subject to a substation lease to Yorkshire Electricity Distribution plc, which demise is subject to an occupational licence to Spirit (SGL) Limited. The term of the lease is sixty years from 5 August 2007 a peppercorn rent. The lease can be terminated by either party on six months' notice or 3 months by the tenant if it no longer requires the premises.

Property management

The arrangements in relation to the management of the Property are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*)).

Leeds 2 Property

Opal 2, Burley Road, Leeds LS3 1JZ.

Multi AssetCo will acquire the Leeds 2 Property which provides accommodation for students studying at the University of Leeds and Leeds Metropolitan University.

The accommodation

<i>University:</i>	University of Leeds; Leeds Metropolitan University.
<i>Number of rooms:</i>	556
<i>Accommodation:</i>	Standard en-suite and deluxe en-suite arranged in clusters and 4 studios within four blocks.
<i>Location:</i>	To the West of the city centre fronting on Burley Road close to the campuses of Leeds Metropolitan University and The University of Leeds campuses.
<i>Age</i>	The building was completed in 2007.
<i>Student to bed ratio:</i>	3.04:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	71.1 per cent. / 28.9 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.

Other details:

Russell Group City.
Rooms 2013/14 have 100 per cent. occupancy.
NB. The Leeds 2 Property is fully let to Leeds Metropolitan University until August 2031, (subject to a break options).

Title and Property Matters

Tenure

The title to the Leeds 2 Property is freehold.

Matters affecting the Property

The Certificate of Title in relation to the Leeds 2 Property discloses the following of note:

- (a) the Leeds 2 Property shares use of the reception area within the neighbouring student accommodation building. The two buildings were in the sole ownership of Opal but the neighbouring property has been sold to a third party. It is intended that a new reception area will be incorporated into the Leeds 2 Property on completion. It is intended following Completion that this arrangement be documented by way of a licence between Multi AssetCo and the freeholder of the neighbouring property;
- (b) it is intended following Completion that Multi AssetCo will have a licence to use the gym and swimming facilities of the neighbouring student accommodation. This will include a right of access to the common parts of the neighbouring student accommodation for the purpose of using the facilities. This is the same licence as referred to above in respect of the existing reception facilities.
- (c) the Leeds 2 Property is subject to potential chancel repair liability; as a condition precedent to drawdown under the On-Loan Agreement Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000; and
- (d) the Leeds 2 Property is subject to obligations under two separate planning agreements; the local authority search confirms that no planning enforcement action has been taken to date but confirmation of the nature of the obligations has not been obtained nor that such obligations have been met.

Building Survey/Environmental

The building structure and fabric are 5 years old and generally in good condition with minor repairs and maintenance required, predominantly due to water damage in the kitchens and bathrooms. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low whilst the site remains in its current use and form.

Construction

The construction of this Property was procured in 2006 with Eric Wright Construction Limited as the main contractor on the basis of a JCT standard form design and build contract.

Multi AssetCo will take an assignment of:

- (a) the collateral warranty from the main contractor; and
- (b) the collateral warranty from the civil/structural engineer.

In some cases, the Administrators do not have a copy of the underlying contracts to which the collateral warranties relate which will significantly and detrimentally affect the value of any rights of recourse that Multi AssetCo may have under the collateral warranties.

Assured Shorthold Tenancies

There are 556 rooms at the Leeds 2 Property all of which are subject to the University Lease referred to below; the letting of the rooms is permitted without consent provided no security of tenure is

conferred on tenants (see '*University Lease*' below).

Property Scheme

University lease

The Leeds 2 Property is fully let to Leeds Metropolitan University under a lease (the **Leeds 2 Property Scheme Agreement**) dated 10 September 2008 made between (1) Leeds 2 Limited and (2) Leeds Metropolitan University.

The lease is for a term of 23 years from 2003, expiring 31 August 2031. It is not contracted out of the Landlord & Tenant Act 1954. Either party may break by giving notice no later than 1 January in any year of its wish to terminate on 6 September of that year. There are the usual provisions for forfeiture for non-payment of rent, breach of tenant covenant and tenant insolvency.

The current annual rent is £2,476,712.60 (reviewed as at 1 September 2013), payable in three instalments on 30 November, 30 January and 30 April. The rent is subject to review on 1 September in each year in line with RPI (subject to a cap of 4%). In addition the tenant pays 50% of gross revenue received from lettings during vacation periods and reimburses to the landlord any additional costs incurred by the landlord in making the premises available for letting and conference use during vacation periods.

Leeds Metropolitan University as tenant may assign the lease of the premises with the consent of the Landlord and subject to provision of an Authorised Guarantee Agreement if required.

Underlettings are permitted with consent but no consent is needed for a letting of a single room to a student or employee of an educational establishment or hospital provided no security of tenure is conferred.

The tenant is responsible for maintenance of the interior of the premises and the landlord is responsible for keeping the Property in good repair and maintaining buildings insurance. There is no service charge; the cost of any landlord's repair and insurance is included in the rent. The tenant is liable for direct damage caused by a resident tenant up to a maximum of £5,000 (RPI-linked) per event or series of events.

Ancillary occupation

The Leeds 2 Property is subject to a substation lease to Yorkshire Electricity Distribution plc. The term of the lease is sixty years from 23 November 2007 at a peppercorn rent and can be terminated by the tenant on three months notice.

Property Management

The arrangements in relation to the management of the Property are referred to above (see *The O&M Contracts and Sub-Contract*).

Liverpool Property

Opal Court, 211 London Road, Liverpool L3 8JD.

Multi AssetCo will acquire the Liverpool Property which provides accommodation for students studying at the University of Liverpool, Liverpool John Moores University and at Liverpool School of Tropical Medicine.

The accommodation

<i>University:</i>	University of Liverpool; Liverpool John Moores University; and Liverpool School of Tropical Medicine.
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<i>Number of rooms:</i>	516
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<i>Accommodation:</i>	Standard en-suite, standard plus en-suite and deluxe en-suite arranged in cluster flats of two to five bedrooms in four blocks.
<i>Location:</i>	On London Road, close to Liverpool Lime Street Station; opposite the Liverpool University Hospital and within walking distance of the University of Liverpool, Liverpool Hope University and the Liverpool John Moores University campus.
<i>Age:</i>	The building was completed in 2005.
<i>Student to bed ratio:</i>	2.21:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	59.7 per cent. / 40.3 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.
<i>Remaining lease:</i>	139 years.
<i>Other details:</i>	Russell Group City. Rooms in 2013/14 have 100 per cent. occupancy

Title and Property Matters

Tenure

The title to the Liverpool Property is leasehold.

The lease is dated 6 November 2003 and was made between (1) Liverpool City Council, (2) Leaseyear Property Management Limited and (2) Opal Property Group Limited (as a guarantor).

The lease is for a term of 150 years from 2003, expiring 2153. It is not contracted-out of the Landlord & Tenant Act 1954. There are no break clauses. The lease is subject to forfeiture for non-payment of rent or breach of tenant covenant only.

No rent is reserved under the lease.

The permitted use under the lease is as a student hall of residence with associated facilities including leisure facilities for the tenant and the occupiers of the premises.

There are no restrictions on the assignment of the whole of the Property except during the last 20 years of the term when Landlord's consent, not to be unreasonably withheld or delayed, is required. Such consent is also required for any subletting but only where the proposed term is more than 25 years. There are no restrictions on charging the whole.

The tenant is responsible for keeping the Property in good repair and maintaining buildings insurance in joint names.

Matters affecting the Property

The Certificate of Title in relation to the Liverpool Property discloses the following of note:

- (a) the access at the rear of the Liverpool Property does not abut an adopted public highway. This does not affect by the students on a practical level but, as a condition precedent to drawdown under the On-Loan Agreement an indemnity insurance policy providing indemnity cover up to £28,400,000.00 will be obtained. The terms of the policy provide the continued use of the Property as student accommodation, a retail unit and an electricity sub-station notwithstanding that the Liverpool Property lacks:

- (1) any vehicular and pedestrian access rights over the land at the rear of the Liverpool Property; and

- (2) any pedestrian access rights over unregistered land at the front of the Liverpool Property lying between the Liverpool Property and the public highway;
- (b) a part of the Liverpool Property, comprising a vacant public house, is Grade II Listed; and
- (c) the Liverpool Property is within a 200m buffer zone of a proposed new tram line.

Building Survey/Environmental

The building structure and fabric are generally in good condition with some minor repairs and maintenance required due to water leakage. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low to moderate whilst the site remains in its current use and form.

Construction

Multi AssetCo has not been provided with any details in relation to the construction of this Property. Multi AssetCo understands that the works were carried out by Ocon Construction Limited, which is now insolvent, but the Opal Administrators do not have a copy of the building contract. Therefore, there is no recourse available in respect of any construction defects that may arise at the Property.

Multi AssetCo will take an assignment of the appointments of the architect and structural engineer. Multi AssetCo has not been provided with any details of the sub-contractors that were engaged by the main contractor and has been advised that there is no recourse available against any individual sub-contractor.

Assured Shorthold Tenancies

All of the rooms at the Liverpool Property are to be let to the individual occupiers under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice.

The agreements are for a term of 42 or 43 weeks.

Rent is paid either the full year in advance or in four instalments in which case a guarantor of the tenant's obligations is required.

There are 516 rooms at the Liverpool Property and the relevant Opal Subsidiary has been responsible for the direct letting of 271 rooms; any such lettings are on the standard AST terms referred to above.

The remaining 245 rooms are the subject of two separate nomination agreements (as referred to in the following section - *Nomination agreement*) and a licence agreement pursuant to which these rooms are marketed to Students by the Universities and let to be on the standard AST terms.

Property Scheme

Nomination agreement

The letting of certain of the student accommodation at the Property is regulated by two separate Nomination Agreements as follows:

- (a) a Nominations Agreement (the **Liverpool Property Scheme No.1 Agreement**) dated 1 November 2012 made between (1) Liverpool John Moores University (**LJM University**) and (2) Opal SPV1 Limited (**Opal SPV1**). The Agreement was amended by a side letter dated 15 May 2013 between the administrators of Opal SPV1 and the LJM University.

The agreement is for three academic years, ending on 1 July 2016. Continuation of the agreement is conditional on Opal SPV1's performance and financial standing (or following novation that of Multi AssetCo). There are reciprocal termination rights for material breach or specified insolvency events in relation to either party.

For the academic year 2013/14, Opal SPV1 is to provide certain room types (119 standard, 10 standard plus 22 deluxe) with fixed weekly rents. For the academic years 2014/15 and 2015/16,

the company is to provide 151 bed spaces, and 5% of rooms must be wheelchair, hearing impairment and visual impairment accessible (a third each).

The LJM University is to use reasonable endeavours to nominate and refer 151 new students to the company and must confirm its allocation of bed spaces by certain dates; Opal SPV1 must notify the LJM University of the AST terms (including weekly rent and duration) by the same dates.

Room rents for 2013/14 range from £110.50 per week for standard rooms to £117.50 for deluxe rooms. These rents are subject to annual increase in accordance with RPI (subject to a cap and collar of 2% to 5% unless otherwise agreed with the LJM University). Rent is paid to Opal SPV1 in three equal instalments by the students on dates that coincide with student loan payments made to them and in 2013/14 will be £708,519.

Opal SPV1 assumes the void risk for rooms that are not let as well as in relation to rooms vacated during the year or in respect of which rent is not paid. Opal SPV1 pays a referral fee of £100 plus VAT per occupied bed space to the LJM University. The LJM University is responsible for marketing the Property (and will share application and allotment patterns).

The LJM University will market the Property on an Even Handed Basis.

Opal SPV1 is not permitted to market the nominated rooms directly to new students without the consent of the LJM University and must release/cancel lettings to students who leave the LJM University on serious welfare or medical grounds, or cancel before conditional offers are confirmed.

Neither Opal SPV1 nor the LJM University is able to transfer rights, obligations or interests under the agreement to any third party.

The agreement will be novated to Multi AssetCo at completion and the University will consent to its charging.

- (b) a Nominations Agreement (the **Liverpool Property Scheme No.2 Agreement** and, together with the Liverpool Property Scheme No.1 Agreement, the **Liverpool Property Scheme Agreements**) dated 20 December 2013 made between (1) the Liverpool School of Tropical Medicine (referred to below as the **LSTM**), (2) Opal SPV1 and the Administrators.

The agreement only lasts for 1 academic year, ending on 29 June 2014. Either party can terminate on material breach where unremedied for 30 working days, but Opal SPV1 has additional rights of termination (such as non-payment, breach of assignment/novation restriction or winding up of the LSTM).

The agreement relates to the provision of 14 rooms at £121.80 per week. Where a room is subject to an AST, the rent is paid to Opal SPV1. If the room is not subject to an AST, the LSTM will pay the rent for such void rooms (to be invoiced and paid at the end of the academic year). The LSTM is not responsible for the rent for void rooms which have not been taken up as a result of their condition being such that they are not reasonably suitable for occupation by a student.

The LSTM is to use reasonable endeavours to achieve maximum occupancy and must market and promote the rooms on an Even Handed Basis.

Opal SPV1 may charge the agreement to funders (including those persons providing finance or investing in Opal SPV1). Opal SPV1 may assign the benefit of the agreement and must notify the LSTM promptly of that assignment.

The agreement will be novated to Multi AssetCo at completion and the University's consent is not need to its charging.

Licence Agreement

There is also a licence agreement with the University of Liverpool in respect of 80 rooms for the academic year 2013/2014 paying a guaranteed licence fee of £368,716.40.

The University of Liverpool is responsible for making good and the cost of all student damage. It must ensure the accommodation at the Property is left clean and tidy, and remove all student items at the end of the term.

If Opal believes any act/omission of a student would otherwise amount to a material breach by the University of Liverpool, then on notice the University of Liverpool is to end the student's licence and obtain vacant possession of the room.

The University of Liverpool is responsible for council tax and rates for the rooms and provides comfort that the rooms will be used for relevant residential purpose and a VAT indemnity, in addition to a general indemnity.

Opal is to provide 24h security (including CCTV) and reactive maintenance services.

Opal will assign its rights to Multi AssetCo which will charge its rights under the agreement.

Ancillary occupation

A retail unit at the Liverpool Property is subject to a lease dated 27 June 2007 for a term of 20 years expiring 2027. The lease is not contracted out of the Landlord & Tenant Act 1954. The current tenant is Noamam Malik, trading as Best Buy.

The current passing rent is £18,500 per annum (VAT is not charged) and is subject to upwards only RPI linked review in June 2017, 2022 and 2027. In the event that the planning restriction on the sale of alcohol is released the rent will be increased by 16.35%.

The tenant is responsible for maintenance of the interior of the premises; the landlord insures the Property and the tenant pays a proportion of the insurance premium

The tenant is currently in arrears and a payment plan for payment of rent is in the process of being agreed. Current arrears stand at £20,050.00.

A leisure unit at the Liverpool Property is operated by Motive8 Limited under a management agreement dated 14 June 2013. Motive8 Limited is entitled to a fee of £10,400 per annum for operating the facility.

This agreement can be terminated by either party on three months' notice, or immediately in the event of the sale of the Property, breach by either party, or insolvency of Motive8 Limited. There are various provisions relating to the approval by the Property Owner of a budget for running the facility and the Property Owner will make available a budget of up to £2,000 per annum for staff training.

In certain circumstances where the Property Owner terminates the agreement or Motive8 Limited terminates on a breach by the Property Owner then the Property Owner will pay a fee to Motive8 Limited equivalent to 12 weeks' management fee and 12 weeks' salary of employees employed at the facility.

On or following Completion this management agreement will be novated to the O&M Provider.

The Liverpool Property is subject to a substation lease to SP Manweb Plc. The term of the lease is 150 years from 6 November 2003 there is no rent received. The lease can be terminated by the tenant on six months' notice in writing.

Property management

The arrangements in relation to the management of the Property are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*).

Manchester Property

Wilmslow Park Phase 2, Wilmslow Road, Rusholme, Manchester M14 5TL.

Multi AssetCo will acquire the Manchester Property which provides accommodation for students studying at the University of Manchester, and Manchester Metropolitan University.

The accommodation

<i>University:</i>	University of Manchester; Manchester Metropolitan University.
<i>Number of rooms:</i>	316
<i>Accommodation:</i>	Standard en-suite and deluxe en-suite in cluster flats of two, three, four and five bedrooms. There are also eleven studio flats and a one bedroom flat. The accommodation is split over three blocks.
<i>Location:</i>	On Wilmslow Road close to Central Manchester University Hospital, The University of Manchester and Manchester Metropolitan University's All Saints Campus.
<i>Age:</i>	The building was completed in 2006.
<i>Student to bed ratio:</i>	2.93:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	55.3 per cent. / 44.7 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution.
<i>Other details:</i>	Russell Group City. Both universities are top 100 ranked in the Times Good University Guide. Shares fitness centre with Phase 1 of the Wilmslow Park scheme.

Title and Property Matters

Tenure

The title to the Manchester Property is freehold.

Matters affecting the Property

The Certificate of Title in relation to the Manchester Property discloses the following of note:

There is no right of way over the road adjacent to the rear of the Manchester Property which road provides access and egress to and from the public highway at the rear of the Manchester Property.

The adjacent road referred to above enables the car park to be accessed, refuse to be removed and other vehicles and pedestrians to access the rear of the Manchester Property; it is the only vehicular access to the Manchester Property.

The Opal Administrators have undertaken to use reasonable endeavours to obtain the required easement from the neighbouring landowner so as to provide a legal right of access to the Manchester Property or, if this is not possible, submit a planning application for an alternative access to the car park at the Manchester Property and to enable the Manchester Property to be adequately serviced. The sum of £1,550,000 will be deposited by the Opal Administrators into an escrow retention account to be held by Osborne Clarke pending satisfaction of either of these, which will be held subject to the following terms:

- (a) the retention sum will be released to Multi AssetCo if neither of these are obtained by 31 December 2014;

- (b) in the event a planning permission is obtained before 15 September 2014, an amount equivalent to the cost of the works (including any s.106 agreement costs) and the diminution in value of the Manchester Property caused by the loss of rooms (to be calculated at a rate of £51,000 per room) will be released from the retention fund to Multi AssetCo and the remainder will be held until the works are completed and will then be released to the Opal Administrators; and
- (c) if a deed of easement is granted then the retention sum shall be released to the Opal Administrators.

The Opal Administrators are obliged to use reasonable endeavours to obtain the deed of easement and only if that is not obtained shall it start the planning application.

Building Survey/Environmental

The building structure and fabric are relatively new and generally in good condition with only minor repairs and maintenance required, predominantly due to water damage in the kitchens and bathrooms. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low whilst the site remains in its current use and form.

Construction

The construction of the Manchester Property was procured in 2005 with Ocon Construction Limited as the main contractor. It is understood that this was on the basis of a JCT Standard Form Contract, however, the administrators do not have a copy of the building contract. The main contractor is now insolvent.

Multi AssetCo has been advised that no formal consultants' appointments were entered into, or collateral warranties procured in connection with the construction.

Therefore Multi AssetCo has not taken an assignment of any construction documents in relation to this Property and has no recourse available in respect of any construction defects that may arise at the Property.

Assured Shorthold Tenancies

All of the rooms at the Manchester Property are to be let to the individual occupiers under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice.

The agreements are for a term of 44 or 51 weeks. Rent is paid either the full year in advance or in instalments in which case a guarantor of the tenant's obligations is required.

Property Scheme

Nomination agreement

There are no nomination or other agreements in place. Rooms are let directly to student tenants.

Ancillary occupation

The ground floor commercial space is let to Edinburgh Bicycle Co-Operative Limited pursuant to a lease dated 7 December 2006 for a term of 10 years from 4 January 2007 to 3 January 2017. The Lease is not contracted out of the Landlord and Tenant Act 1954.

The current rent passing is £110,000 per annum exclusive, payable quarterly in advance and is not subject to review before the end of the term.

The tenant is responsible for keeping the premises in good repair; the landlord insures the Property and the tenant pays to the landlord a fair proportion of the premium for such insurance.

Property management

The arrangements in relation to the management of the Property are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*).

Newport Property

Endeavour House, Usk Way, Newport, Gwent NP20 2DZ.

Multi AssetCo will acquire the Newport Property which provides accommodation for students studying at the University of South Wales.

The accommodation

<i>University:</i>	University of South Wales.
<i>Number of rooms:</i>	442
<i>Accommodation:</i>	Standard en-suite, standard plus en-suite, deluxe en-suite and super deluxe en-suite arranged as cluster flats with a shared communal kitchen and two self-contained studios.
<i>Location:</i>	500 metres South of the University of South Wales' City Campus.
<i>Age:</i>	The building was opened in 2008.
<i>Student to bed ratio:</i>	4.41:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	72.2 per cent. / 27.8 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; limited private rented supply.
<i>Other details:</i>	Rooms in 2013/13 have 54.5 per cent. occupancy.

Title and Property Matters

Tenure

The title to the Newport Property is freehold.

Matters affecting the Property

The Certificate of Title in relation to the Newport Property discloses the following of note:

- (a) parking by students which is taking place within 2km of the Newport Property is in breach of a section 106 planning agreement;
- (b) the Newport Property is subject to potential chancel repair liability; as a condition precedent to drawdown under the On-Loan Agreement Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000.

Building Survey/Environmental

The building structure and fabric are generally in good condition with some minor repairs and maintenance required. The M&E services are similarly in good condition and operational working order. The site environmental risk assessment in respect of an environmental liability associated with ground contamination is considered low to moderate whilst the site remains in its current use and form.

Construction

The construction of the Newport Property was procured in 2007 with Cowlin Construction Limited as the main contractor. It is understood that this was on the basis of a JCT standard form contract, however, the Opal Administrators do not have a copy of the building contract and a number of the sub-contractors are now insolvent. Therefore, Multi AssetCo has not taken an assignment of the building contract and has no significant recourse available in respect of any construction defects that may arise at the Property.

Multi AssetCo will, however, take an assignment of:

- (a) the appointments with the employer's agent; quantity surveyor; planning supervisor; mechanical/ electrical engineer; and fire engineer; and
- (b) the collateral warranty provided by the architect and the sub-contractor collateral warranties provided in relation to mechanical/ electrical engineering and structural engineering works.

However, the Opal Administrators do not have a copy of the underlying contracts to which the collateral warranties relate and this would significantly and detrimentally affect the value of any rights of recourse that Multi AssetCo may have under the collateral warranties.

The AssetCo is aware of cases of water ingress into the Property following heavy rain. It is understood that water has entered the Property through the man hole in the reception and through splits in the external render and between the inner and outer reception doors. As there is no recourse available against the main contractor, it is likely that the Asset Co will have to pay for any remedial works that may be required.

Assured Shorthold Tenancies

All of the rooms at the Newport Property are to be let to the student tenants under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice.

The agreements are for a term of 30, 43 or 51 weeks but a variety of term lengths are offered. Rent is paid either the full year in advance or in termly instalments (in which case a guarantor of the tenant's obligations is required).

There are 442 rooms at the Newport Property and until Completion the relevant Opal Subsidiary has been responsible for the direct letting of 302 of those rooms, in each case on the standard AST terms referred to above.

The remaining 140 rooms are the subject of a nomination agreement (as referred to below) which will not be novated to Multi AssetCo on Completion.

Nomination agreement

There is a current nomination agreement with the University in respect of 140 beds but this will not be novated to Multi AssetCo on Completion. The Sale & Purchase Agreement deals with the apportionment of rents paid in advance but in respect of the period from Completion these rents will be paid across to Multi AssetCo. Multi AssetCo (or the O&M Provider on its behalf) will also write to each tenant (whether originally nominated by the University or a direct let) to inform them of the change of landlord under the ASTs from Completion and provide details of the new bank account details for the payment of rents. Under the Multi O&M Contract, the O&M Provider will be responsible for collecting rents from all tenants.

Property management

The arrangements in relation to the management of the Property are referred to above (see *The O&M Contract between the AssetCos and the O&M Provider*).

Nottingham Property

Halls of Residence, College Road, Sutton Bonington, Loughborough, Leicestershire, LE12 5RA.

Single AssetCo will acquire the Nottingham Property which provides accommodation for students studying at the University of Nottingham.

The accommodation

University: University of Nottingham

Number of rooms: 739

Accommodation: A wide mix of standard single, en-suite single, deluxe single, conference en-suite, studio and tutor flats.

<i>Location:</i>	The Sutton Bonington campus is 12 miles from Nottingham University Park campus and Nottingham city centre in a rural setting.
<i>Age:</i>	The property was constructed in three phases: c.1910- 1980, 2006 and 2009 respectively.
<i>Student to bed ratio:</i>	1.63:1 (Academic Year 2013/2014) (<i>being the ratio in relation to the demand for student beds at the University against the number of beds available</i>).
<i>University stock (University/Others):</i>	71.2 per cent. / 28.8 per cent. (Academic Year 2013/2014).
<i>Key selectivity criteria:</i>	Quality of institution; self-contained campus; limited private rented supply.
<i>Remaining lease:</i>	Leasehold expires 12 July 2040.
<i>Other details:</i>	Russell Group City. Rooms 2013/14 have 86 per cent. occupancy.

Title and Property Matters

Tenure

The Nottingham Property is leasehold and held under three separate leases (the Phase 1 Lease, the Phase 2 Lease and the Phase 3 Lease (the **Sutton Bonington Headleases**)) which are granted on similar terms.

The lease for Phase 1 is of Wymeswold House, Rempstone House, Kingston House, Normanton House, Kegworth House, Lockington House, Dishley House, Ratcliffe and Hathern House. The lease for Phase 2 is of the halls known as Stanford, Barton and Zouch. The lease for Phase 3 is in respect of halls known as Costock and Thrumpton.

The terms of the Phase 1 Lease are summarised below and the material differences between the Phase 1 Lease and the other two leases are referred to in the final paragraph of this section below.

Phase 1 Lease

The Phase 1 Lease is dated 13 July 2005 and made between (1) The University of Nottingham and (2) OSB Limited and is for a term of 35 years from July 2005, expiring July 2040. It is contracted-out of the Landlord and Tenant Act 1954. The Phase 1 Lease cannot be forfeited whilst the nominations agreement (see below) is in subsistence. Once the nominations agreement has ended the Phase 1 Lease may be forfeited for breach of covenant by the tenant only.

Termination: The Landlord can terminate the Sutton Bonington Headleases if the nominations agreement is terminated. Compensation may be payable by the landlord if it elects to terminate the leases (see below under *Nominations Agreement*).

If the tenant terminates the nominations agreement on the ground that the landlord ceases to occupy the campus as a higher education authority, and the landlord elects not to terminate the Phase 1 Lease, the tenant may require the landlord to grant a new 25 year lease to the tenant, subject to payment of a premium by the tenant equal to the open market value (to be agreed by an independent valuer in the event of a dispute).

Income/Profit Share: There is no rent reserved under the Phase 1 Lease however the Phase 1 Lease includes an income sharing provision, whereby rental income in relation to the letting of rooms in Phase 1, Phase 2 and Phase 3 above a certain threshold is shared with the University. In summary:

- (a) Income sharing is calculated with reference to a spreadsheet annexed to the lease (an extract from this spreadsheet is below).

Room Type	Room Number	Letting Period
Standard Ensuite	94	44 weeks
Standard	196	44 weeks
Standard Plus	24	44 weeks
Standard Ensuite	308	44 weeks
Deluxe Ensuite	41	44 weeks
Studio	14	44 weeks
Standard	8	51 weeks
Standard Plus	5	51 weeks
Standard Ensuite	29	51 weeks
Deluxe Ensuite	3	51 weeks
Studio	1	51 weeks

(b) Rental income in respect of each Room Type is shared 50:50 between Single AssetCo and the University to the extent such income (for any academic year) exceeds the "threshold income" for that Room Type. Threshold income for each Room Type is the Letting Period multiplied by the Agreed Rent* in respect of the relevant Academic Year for that Room Type multiplied by:

i) for Academic Years up to and including 2019/2020, 87%; or

ii) for Academic Years thereafter, 90%

*"Agreed Rent" is the weekly rent for each Room Type which can be adjusted each year to the lower of the increase in RPI and the rent increase imposed at Broadgate Park (another student accommodation scheme with the University managed by University Partnerships Programme (UPP)).

(c) There will be deducted from the amount payable by Single AssetCo to the University a percentage of the outgoings (i.e. utilities costs, common room contribution fees and student experience fees) equivalent to the percentage that actual occupancy by students for each room type is over and above the total Letting Period shown in the above table.

Use: The permitted use under the Phase 1 Lease is student accommodation for students at the University of Nottingham as nominated in accordance with the nominations agreement. Once the nominations agreement ends, the permitted use is for residential accommodation other than for certain excluded categories e.g. prison offenders.

Alienation: Whilst the nominations agreement is in place, the tenant may assign the lease to any person to whom the nominations agreement is assigned.

Once the nominations agreement has ended, the tenant can assign the whole of the Property with landlord's consent, not to be unreasonably withheld or delayed (but certain types of assignee can be refused).

Whilst the nominations agreement is in place underletting to students at the University of Nottingham is governed by the terms of the nominations agreement, and alternative occupiers in accordance with the nominations agreement. Once the nomination agreement has ended, the tenant may underlet the whole of the Property or a permitted part (the whole of any of the blocks comprised in the Property) with landlord's consent not to be unreasonably withheld.

Whilst the nominations agreement is in place the tenant may charge the Property to the AssetCo Security Trustee and its successors or assigns. There is no prohibition against charging once the nomination agreement has ended.

Repairing and insuring: The tenant is responsible for keeping the property in good repair and for maintaining buildings insurance.

Whilst the nominations agreement is in place the tenant may not carry out any alterations to the Property. Once the nominations agreement ends, the tenant may carry out internal non-structural alterations or additions without landlord's consent, and structural alterations with unqualified consent.

Heating and Hot Water System

Single AssetCo benefits from a right to connect into the system of heating and hot water which services buildings on both buildings within the demise of the Phase 1 Lease and other buildings on the University's Sutton Bonington campus (the **Heating and Hot Water System**). This system is managed by the University, who charge a fair proportion of the cost to Single AssetCo under the terms of the Sutton Bonington Headleases.

The Heating and Hot Water System is considered to be economically inefficient by the University both due to the age of the system (although Single AssetCo has no information as to how old this actually is) and because the system automatically heats buildings or rooms used solely for academic purposes outside of working hours. Single AssetCo has a right to install a separate heating and hot water system under the Phase 1 Lease and to connect this system into gas and/or electric conduits on the University's Sutton Bonington campus in order to energise the system. This new system must be first approved by the University (acting reasonably).

On 1 September 2017 (the **Longstop Date**) Single AssetCo's right to use the Heating and Hot Water System will come to an end. After this date the University may (at its own option) disconnect the buildings within the demise of the Phase 1 Lease from the Heating and Hot Water System but the University is not obliged to do so.

The University (acting reasonably) may agree in writing to an extension to the Longstop Date (being no later than 1 September 2019) if the University and Single AssetCo mutually agree to put in place an alternative to the Heating and Hot Water System for the benefit of both the University's Sutton Bonington campus and the premises demised by the Phase 1 Lease with the cost detail and implementation of such alternative system to be agreed between the parties (both acting reasonably). The Phase 1 Lease does not specify any further detail as to the mechanism for reaching agreement on this issue.

Phase 2 and 3 Leases

The parties to the Phase 2 and Phase 3 Leases are the same as the Phase 1 Lease, as is the term, and there are no material differences between the Phase 1 Lease and the Phase 2 and Phase 3 Leases, save that:

- (a) There is no provision for income sharing in the Phase 2 Lease or the Phase 1 Lease.
- (b) there is no right to underlet a permitted part in either the Phase 2 Lease or the Phase 3 Lease.
- (c) The Phase 2 Lease and the Phase 3 Lease do not include any provisions dealing with a Heating and Hot Water system equivalent to that under the Phase 1 Lease (as neither of the buildings within the demise of these leases are connected to the Heating and Hot Water System).

Chancel repair insurance

The Nottingham Property is subject to potential chancel repair liability: as a condition precedent to drawdown under the On-Loan Agreement, Multi AssetCo is required to obtain an appropriate indemnity policy in respect of such liability in an insured amount of £1,000,000.

Building Survey/Environmental

The site consists of 14 buildings of varying ages. The modern buildings are generally in good condition with some minor repairs required due to water leakages. Similarly the M&E installations in these buildings are also in good operational order.

The older buildings are structurally sound but in need of more substantial repair and refurbishment including replacement of windows, roof coverings and other components. Upgrading of the premises

is required to bring them to modern standards. The building services installations are generally in fair to good condition although in some buildings are considered to be close to the end of their economic life.

Construction

The latest works to this Property were procured in two phases (in 2005 (Phase 1) and 2008 (Phase 2)) with Ocon Construction Limited as the main contractor on the basis of a JCT standard form design and build contract. The main contractor and a number of the sub-contractors are now insolvent and so there is no recourse available in respect of any construction defects that may arise at the Property. Single AssetCo will not therefore take an assignment of any rights under the building contracts.

Single AssetCo will take an assignment of:

- (a) the appointments of the employer's agent; planning supervisor; fire engineer; and mechanical/electrical engineer in relation to Phase 1;
- (b) the collateral warranties procured from the architect, and also from the civil/ structural engineer and environmental consultant in relation to Phase 1;
- (c) rights under the letters of reliance from the building surveyor and the geo-technical consultant in relation to Phase 1;
- (d) the appointment of the architect; the CDM co-ordinator, structural engineer; fire engineer; and acoustical engineer in relation to Phase 2; and
- (e) the sub-contractor collateral warranties in respect of lift installation; precast concrete; curtain walling; piling; and timber framing in relation to Phase 2.

In some cases, the Administrators do not have a copy of the underlying contracts to which the collateral warranties relate and this will significantly and detrimentally affect the value of any rights of recourse that Single AssetCo may have under the collateral warranties.

Assured Shorthold Tenancies

Rooms at the Nottingham Property are currently let to student tenants under Assured Shorthold Tenancies under the Housing Act 1988, in line with standard practice. From the academic year starting in September 2014, the student residence agreement will be an agreed form of licence.

The agreements are for a term of 44 or 51 weeks. Rent is paid either the full year in advance or in termly instalments in which case a guarantor of the tenant's obligations is required.

There are 739 rooms at the Nottingham Property and Opal has been responsible for the direct letting of any rooms the subject of the nominations agreement that are not nominated by 28 February of each year.

Property Scheme

Nominations Agreement

The letting of certain of the student accommodation at the Sutton Bonington Property is regulated by a Nominations Agreement dated 13 July 2005 made between (1) the University of Nottingham (referred to below as the University) and (2) OSB Limited (in Administration) (referred to below as Opal) amended by a Deed of Amendment and Restatement dated 2 October 2008.

The agreement is for the period to 30 June 2040. The Nottingham Property Scheme Agreement will be novated on Completion to Single AssetCo and will be varied at the same time to reflect consents and changes required as a result of the transaction. The novation/variation will include a waiver in respect of the existing Opal default caused as a result of the appointment of the administrators and from other existing breaches by Opal.

The University may terminate the Nomination Agreement upon the occurrence of a "Manager Event of Default". These include: insolvency; a prohibited sale, transfer or disposal of any or all of the shares

in Single AssetCo (or any company of which Single AssetCo is a subsidiary) or any other arrangements with the same effect; failure to maintain a bank account in the name of Single AssetCo (the "Cash Reserve Account"); failure to pay undisputed sums to the University exceeding £50,000 (indexed); failure to undertake and comply with the results of a final condition survey (due in the final 18 months of the Nomination Agreement); and failure to insure and failure to deliver services to the performance standards required by the service level agreement (due warning having been given for poor performance).

Termination will be subject to the rights of the secured creditors of Single AssetCo under a direct agreement entered into on or about the Issue Date between the University, the Issuer (as lender), Single AssetCo and the AssetCo Security Trustee entitling the Issuer to step into the project and assume responsibility for it in place of Single AssetCo, which prevents the University from giving effect to a termination for so long as the step in subsists.

Single AssetCo may terminate where either the University fails to pay an undisputed sum exceeding £50,000 (indexed) within 60 days of demand or commits a material breach substantially frustrating performance by Single AssetCo a continuous period of two (2) months. Additionally, Single AssetCo can terminate where the University assigns the Nomination Agreement, in breach of the terms of the Nominations Agreement or otherwise ceases to occupy the whole of the University's Sutton Bonington campus.

The agreement cannot be assigned/novated by Single AssetCo without the consent of the University. In the event that assignment/novation is permitted by the University, Single AssetCo must assign its rights on obligations under the Phase 1, Phase 2 and Phase 3 Leases to the same assignee.

The Nomination Agreement is silent in respect of charging by the University and the University can therefore charge the Nominations Agreement without the consent of Single AssetCo. Single AssetCo may not assign or charge the Nomination Agreement or Sutton Bonington Headleases without consent of the University but such consent is not required in relation to the grant of any security in a form approved by the University prior to its grant, for any loan made to Single AssetCo under the On-Loan Agreement.

There are restrictions on changes in control which curtail the ability of Single AssetCo to sell its shareholding without University approval. If there is an approved change of control or other disposal then the University is entitled to receive an amount equal to 35 per cent. of the amount by which the amount received by the shareholders in respect of the change of control exceeds £5,588,000.

The agreement relates to 739 rooms. Pursuant to the agreement the Company is obliged to make the rooms available during the 'Letting Period' (44 weeks of the academic year for undergraduates and 51 weeks for postgraduates).

The University is obliged to market the rooms to students of the University and notify Opal of nominations by 28 February in each year for the next academic year but is under no positive obligation to nominate any rooms. Opal enters into ASTs with nominated students in accordance with a prescribed form and is responsible for collecting the rent. From the academic year starting in September 2014, the student residence agreement will be an agreed form of licence rather than an AST.

Single AssetCo may enter into direct lettings of rooms that are not nominated by 28 February in each year.

Risk in relation to voids in respect of any nominated units is borne by the University but where Single AssetCo has other voids beyond the number of nominated units then the parties share the void liability by reference to the relative ratio of void nominated units and voids for units which Single AssetCo is liable for. In addition seventeen free units must be provided to the University (including a warden house), each for a 52 week period.

Single AssetCo is to pay the University a common room contribution fee and student experience fee (in both cases the fee is £50 (adjusted) for each AST entered into before 30 September in each

academic year). These fees are payable in equal instalments on 31 October and 28 February each year respectively.

Base rents as specified in the agreement may be adjusted each year to the lower of the increase in RPI and the rent increase imposed at Broadgate Park (another student accommodation scheme with the University managed by UPP). Rents are currently set at £99.50 per week for a standard room to £149 per week for a studio.

Single AssetCo is responsible for collecting the "student feeding fees" from students signed up to the catering package on behalf of the University (calculated at £722.30 for the academic year starting on 20 September 2014). Single AssetCo is obliged to pay these fees to the University in three termly instalments on or before 31 October, 31 January and 30 April each year..

The University is obliged to undertake marketing activities in respect of the rooms on an even handed basis with its own accommodation and other accommodation provided by another provider pursuant to an agreement with the University. Single AssetCo is obliged to pay the University £50 (adjusted) for each room nominated by the University which is occupied under an AST. Any such payment will be due on or before 1 December in each year.

Damage caused by occupiers under ASTs is the responsibility of Single AssetCo but the University will use reasonable endeavours to assist Single AssetCo in recovering any sums due from students. Because of failures to maintain the accommodation in the past, the University of Nottingham is requiring Single AssetCo to undertake specified backlog maintenance. Additionally, Single AssetCo must maintain a Cash Reserve Account at predetermined levels which is to be held and controlled in a designated account so that the University is assured that lifecycle monies are spent on the buildings. Additionally, to the extent that the University determines that the Cash Reserve Account is inadequate to meet lifecycle expenditure during the first five years then Single AssetCo is obliged to procure up to a further £500,000 contribution to the Cash Reserve Account. This will be provided by way of additional sub-debt loans from Campus Living Villages (Portfolio Finance) Ltd.

The University covenants not to enter into contracts with third parties to provide residential accommodation within 5 miles of the campus except with the approval of Opal or (subject to certain controls) where the University is required to increase the proportion of students for whom it provides or procures accommodation.

In the event that the Nottingham Property Scheme Agreement is terminated early and the University elects to pay compensation and also determine the Sutton Bonington Headleases then it is obliged to pay compensation to Single AssetCo as follows:

Following the University default or a no fault event (the related Property University ceasing to occupy the whole of the Nottingham campus) a sum in aggregate equal to:

- (a) Make Whole Termination Proceeds being the amount that has been agreed (between Single AssetCo and the University) at the date of the Transaction as to what will be (at the date of termination) the Principal Amount Outstanding in redemption of the principal amount of Notes together with accrued but unpaid interest plus an amount (if positive) equal to the amount (if any) by which the Early Redemption Price exceeds the Par Redemption Amount as calculated pursuant to an agreed formula;
- (b) Redundancy payments and other termination payments which are required under law to be made to employees of Single AssetCo and amounts payable by Single AssetCo to contractors responsible for providing the Services as a result of terminating the agreement; and
- (c) the amount for which the share capital of Single AssetCo could have been sold on an open market basis based on the following assumptions: that the sale of Single AssetCo is on the basis that there is no default by the University, that the sale is on a going concern basis, that no restrictions exist on the transfer of share capital, but that otherwise the actual state of affairs of Single AssetCo and the relevant student accommodation is taken into account,

less any credit balances, insurance proceeds, assets of Single AssetCo and any outstanding sums that may be due to the University under the terms of the agreement (i.e. common room contribution fee and student experience fee) ("Deductions").

Following a Single AssetCo default, the University may opt to (a) determine the Phase 1 Lease or (b) determine the Phase 1 Lease, the Phase 2 Lease and the Phase 3 Lease or (c) not determine any of the Sutton Bonington Headleases. Where the University elects to terminate all of the Sutton Bonington Headleases then it is obliged to pay compensation to Single AssetCo equal to the aggregate of:

- (a) Par Termination Proceeds being the amount that has been agreed (between Single AssetCo and the University) at the date of the Transaction as to what will be (at the date of termination) Par Termination Proceeds being a sum equal to the principal amount outstanding of the On-Loan Agreement together with accrued interest as calculated pursuant to an agreed formula;
- (b) any amounts that are due to Single AssetCo but that are unpaid at the termination date, less
- (c) any Deductions.

Where the University only elects to terminate the Phase 1 Lease only, the compensation payable by the University will be an amount equal to 26% of the sum which would have been payable had the University elected to terminate all of the Sutton Bonington Headleases.

The University may terminate the Nomination Agreement in the event that Single AssetCo breaches restrictions against giving gifts to University staff as an inducement ("corrupt gifts") or if Single AssetCo commits an offence under the Prevention of Corruption Acts 1889-1916. If the University elects to terminate the Sutton Bonington Headleases in these circumstances, the compensation payable to Single AssetCo will be an amount equal to:

- (a) Par Termination Proceeds; less
- (b) any Deductions.

VALUATION REPORTS

The following valuation reports (the **Valuation Reports**) relates to the Properties which will be charged in favour of the Issuer and the Issuer Security Trustee on the Issue Date and which will be allocated to secure the Notes.

The Valuation Reports were prepared by Savills Advisory Services Limited, Registered Chartered Surveyors, of 33 Margaret Street, London, W1G 0JD (the **Valuer**). The Valuation Reports are included in this Prospectus at the request of the Issuer, with the consent of the Valuer and the Valuer has authorised the contents of this section.

The Valuer does not have a material interest in the Issuer or the AssetCos.

Date of Report: **26 February 2014**

To:

U.S. Bank Trustees Limited

5th Floor, 125 Old Broad Street, London EC2N 1AR,

33 Margaret Street
London W1G 0JD
T: +44 (0) 20 7499 8644
savills.com

in its separate capacities as Issuer Note Trustee (acting as trustee for and on behalf of itself and the Noteholders, the Receipholders and the Couponholders and each of their respective successors, permitted assigns and transferees from time to time), AssetCo Security Trustee (acting as trustee for and on behalf of itself and the AssetCo Secured Creditors and each of their respective successors, permitted assigns and transferees from time to time) and the Issuer Security Trustee (acting as trustee for and on behalf of itself and the Issuer Secured Creditors and each of their respective successors, permitted assigns and transferees from time to time under (and as each such term is defined in): (i) the issuer deed of charge dated 27 February 2014 and made between, inter alios, U.S. Bank Trustees Limited as issuer security trustee and issuer note trustee (the Issuer Security Trustee and the Issuer Note Trustee) and the Issuer (as the same may be amended, novated, supplemented, varied or restated from time to time, the "Issuer Deed of Charge"); (ii) the note trust deed dated 27 February 2014 and made between, inter alios, U.S. Bank Trustees Limited as Issuer Note Trustee and the Issuer (as the same may be amended, novated, supplemented, varied or restated from time to time, the "Note Trust Deed"); and (iii) each debenture dated 27 February 2014 and made between, inter alios, the AssetCos and the AssetCo Security Trustee (as the same may be amended, novated, supplemented, varied or restated from time to time, the "AssetCo Debentures");

and

TradeRisks Limited

21 Great Winchester Street, London EC2N 2JA (as Arranger and Dealer)

and

Campus Living Villages (Bond Issuer) UK PLC

6th Floor, One London Wall, London EC2Y 5EB (the "Issuer")

and

Campus Living Villages (City Portfolio) UK Limited (as Multi AssetCo) and Campus Living Villages (Sutton Bonington) UK Limited (as Single AssetCo)

6th Floor, One London Wall, London EC2Y 5EB

and

Campus Living Villages UK Limited (as CLV)

The Woolyard, 56 Bermondsey Street, London SE1 3UD

(together, the **Addressees**)

In relying on our Report, each Addressee does so on the basis that:

- (i) Savills' liability will be in the aggregate to all Addressees and any other persons who otherwise become entitled to rely on our Report (including any assignees). Our total aggregate liability in connection with the Report howsoever it arises and including without limitation for breach of contract, misrepresentation, negligence or tort shall not exceed £50 million, provided that nothing shall exclude our liability for death or personal injury caused by our negligence or for any other liability that cannot lawfully be excluded. For the avoidance of doubt, neither party shall be liable for any indirect loss, including but not limited to loss of profit, business, contracts, revenues or anticipated savings or any special, indirect or consequential damage of any nature whatsoever.
- (ii) The Report will not have been updated since first issued and we are under no obligation to update the Report
- (iii) Any subsequent assignee can only rely on the report in relation to the purpose for which it was originally provided.

Dear Sirs

**REPORTING COMPANY: SAVILLS ADVISORY SERVICES LIMITED
VALUATION OF PROPERTY PORTFOLIO FOR LOAN SECURITY PURPOSES RELATING TO THE
ISSUE OF £157,500,000 SECURED INDEXED RATE AMORTISING NOTES DUE 2063 AND £52,500,000
SECURED FIXED RATE AMORTISING NOTES DUE 2063 (THE "NOTES") BY THE ISSUER (THE
"TRANSACTION").**

We refer to the prospectus dated 26 February 2014 (the "**Prospectus**") issued in connection with the Transaction. Capitalised terms used in this report (the "**Report**") shall have the same meaning as defined in the Prospectus. This Report is required in connection with the proposed issue by the Issuer of the Notes.

PROPERTIES:

1. Opal 1, 1 Belgrave Middleway, Birmingham, B5 7AJ
2. Opal 1 Newport, Endeavour House, Usk Way, Newport, NP20 2DZ
3. Phase 2 Wilmslow Park, 211 Hathersage Road, Manchester, M13 0JQ
4. Opal Court, 211 London Road, Liverpool, L3 8JD
5. Opal 3, Jacob Street, Leeds, LS2 8BR
6. Opal 2, Burley Road, Leeds, LS3 1JZ
7. Bonington Hall of Residence, College Road, Sutton Bonington, LE12 5RD
8. Opal 2, McMillan Student Village, Creek Road, Greenwich, London, SE8 3BU

PREAMBLE

In accordance with instructions received from Campus Living Villages UK Limited in October 2013, we have inspected the Properties and made such enquiries as are sufficient to provide you with our opinion of value on the bases stated below.

1.0 INSTRUCTIONS AND TERMS OF REFERENCE

1.1 Instructions and Basis of Valuation

You have instructed us to provide our opinions of value on the following basis:

- The current Market Value of the interest subject to and with the benefit of the student lettings (Investment Value).

The properties are a portfolio of 8 purpose built student accommodation properties held freehold or leasehold, located throughout the UK and held as investments/operational assets.

1.2 Definition of Market Value

In undertaking our valuations, we have adopted the RICS definition of Market Value as detailed below:

Valuation Standard VS 3.2 of the Red Book defines Market Value (MV) as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

1.3 General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in this report.

1.4 Date of Valuation

Our opinions of value are as at 6 November 2013. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

1.5 Purpose of Valuation

This Valuation is required for loan security purposes in connection with the Transaction and proposed issue by the Issuer of the Notes.

This Report is issued for the benefit of the addressees and for the inclusion in the Prospectus for the Notes to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Prospectus.

We hereby give consent to the publication of this Report within the Prospectus and accept responsibility for the information contained in this Report. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information given in this Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

We confirm that we have complied with the requirements of paragraph 130 of the ESMA recommendations for the valuation report (20 March 2013 ESMA/2013/319).

1.6 Conflicts of Interest

We are external valuers and not aware of any conflict of interest, either with the Properties, the Issuer or the Client preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book.

1.7 Valuer Details and Inspection

The due diligence enquiries and report preparation have been undertaken by James Hanmer MRICS, Marcus Roberts MRICS, Melanie Bailey MRICS, Andy Smith MRICS, Michael Donaghy MRICS, Lizzie Whetman MRICS and Catherine Smith MRICS.

We have undertaken the level of internal and external inspection that we consider necessary to provide our valuation advice. We were able to inspect the properties externally (limited to those areas that were easily accessible or visible) and undertook internal inspections of common areas and samples of the individual flats. The inspections were undertaken during October and November 2013.

All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VS 6.1(r), we confirm that the aforementioned individuals have the knowledge, skill and understanding to undertake the valuation competently.

1.8 Extent of Due Diligence Enquiries and Information Sources

We have been supplied with access to a data room, the information therein we have relied on.

We have not measured the properties, but undertook check measurements of a sample of the rooms.

We have undertaken standard valuation due diligence enquiries and been provided with information we have relied upon for the purpose of our valuation, to include the documents and reports below:

Document	Prepared by	Date
Stock Condition Survey – Executive Summary (including M & E Consultants survey)	Savills (UK) Limited	November 2013
Site Environmental Risk Assessment Reports (Ref: HLEL28171)	RPS	October & November 2013
Student Market Report	Knight Frank	Final Draft 4 December 2013
Example of standard Terms and Conditions for Assured Shorthold Tenancy (Opal 3 Portfolio Ltd)		

We have also reviewed the final form certificates of titles (the “**Certificates of Title**”) for the portfolio issued by Osborne Clarke, dated on or about the date of this Report and can confirm that our valuations fully reflect the disclosures contained therein.

We do not accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions.

We have been instructed to assume purchaser’s costs of 2.3% for the student elements based on your proposed structure.

It is further assumed that the Administrators will be transferring the assets unencumbered, and that any break fees or other costs associated with terminating any arrangements, such as the existing management agreements, will be discharged by them.

1.9 RICS Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards Incorporating the International Valuation Standards (the "RICS Red Book") published in March 2012 and effective from 30 March 2012, in particular in accordance with the requirements of VS 6 entitled Valuation reports and Appendix 5 Valuations for Commercial Secured Lending, as appropriate.

2.0 VALUATION

Having carefully considered the Properties, we are of the opinion that the Market Value of the freehold or leasehold interest, as appropriate, subject to and with the benefit of student lettings, as at 6 November 2013, is:

	Scheme	City	Post Code	Tenure	Estimated Net Income*	Market Value 6 November 2013
1	Opal 1	Birmingham	B5 7AJ	Freehold	£1,985,000	£26,750,000
2	Opal 1	Newport	NP20 2DZ	Freehold	£545,000	£8,500,000
3	Phase 2 Wilmslow Park	Manchester	M13 0JQ	Freehold	£1,255,000	£18,620,000
4	Opal Court	Liverpool	L3 8JD	Leasehold	£1,689,000	£25,720,000
5	Opal 3	Leeds	LS2 8BR	Freehold	£2,204,000	£31,610,000
6	Opal 2	Leeds	LS3 1JZ	Freehold	£2,000,000	£32,645,000
7	Bonington Hall	Sutton Bonington	LE12 5RD	Leasehold	£1,735,000	£21,900,000
8	Opal 2 Greenwich	London	SE8 3BU	Freehold	£4,767,400	£79,690,000
Aggregate					£16,180,400	£245,435,000

*Estimated Net Income refers to annualised amounts between September 2013 and August 2014, and is provided as at 6 November 2013.

We have been advised that your proposed structure will reduce SDLT to 1% and that lower legal and surveyors costs are being achieved as a portfolio, and therefore our assessment of the current value uses purchaser's costs at 2.3%. Should these reductions not be available or there are changes to Stamp Duty arrangements and available relief, this will have an impact on value.

We have assumed that you have obtained separate advice on the VAT position and that the VAT structure will be compatible with purpose built student accommodation.

Our valuations have been arrived at using the traditional "all risks" yield method of valuation, on an investment basis, having regard to comparable evidence and investment market sentiment.

In assessing the value of Opal 1 Newport, we have also considered the reversionary potential and the capital value per bedroom (which is significantly below replacement cost).

Phase 2 Wilmslow Park Manchester is managed and part serviced through Phase 1 which will be in separate ownership. We have assumed that a satisfactory shared services agreement has been entered into.

Bonington Hall, Sutton Bonington is held on under a lease which expires in 2040 and therefore the valuation approach is based on a target internal rate of return.

3.0 SUITABILITY AS LOAN SECURITY

It is usual for a valuer to be asked to express an opinion as to the suitability of a Property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

We would comment that we have considered each of the principal risks associated with this property within the context of the wider investment market and that they are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the Properties provide good security for the Bonds, which reflects the nature of the properties, our reported opinions of value and the risks involved.

4.0 GENERAL ASSUMPTIONS AND CONDITIONS

4.1 General Assumptions

Unless otherwise stated in this report, our valuations have been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuations, as there may be an impact on them.

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificates.
2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this report is both complete and correct.
3. That the building has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
4. That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by

way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.

6. That the property is connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
8. That the property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
9. That the property does not suffer from any risk of flooding. We have not carried out any investigation into this matter.
10. That the property either complies with the Disability Discrimination Acts and all other Acts relating to occupation, or if there is any such non-compliance, it is not of a substantive nature.
11. That the property does not suffer from any ill effects of Radon Gas, high voltage electrical supply apparatus and other environmental detriment.
12. That the tenants are capable of meeting their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
13. That there are no adverse site or soil conditions, that the property is not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuations.

4.2 General Conditions

Our valuations have been carried out on the basis of the following general conditions:

1. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.
2. Our valuations are exclusive of VAT (if applicable).
3. No allowance has been made for any expenses of realisation.
4. Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
5. Energy Performance Certificates (EPCs) are required for the sale, letting, construction or alteration of all residential buildings on non-domestic residential buildings over 538 sq ft (50 sq m) in England and Wales and on all buildings in Scotland. The effect of EPCs on value is as yet unknown, given that the market has yet to respond to their introduction. Therefore, we have not considered the property's EPC rating in forming our opinion of value. However, should this position alter, we reserve the right to reconsider our opinion of value.

6. Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal. If a total is stated, it is the aggregate of the individual Market Value.
7. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation.
8. Our valuations are based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

5.0 VERIFICATION

This report contains several other stated assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others.

We have specifically assumed that this information is complete and correct. It is possible that some material information may not have been provided to us and our valuations will not, therefore, reflect any effect such information might have on our calculations of value.

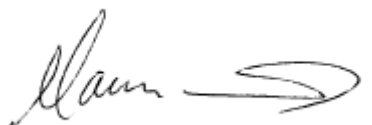
We trust that this Report is acceptable for your purposes. Should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills Advisory Services Limited



Melanie Bailey MRICS
RICS Registered Valuer
Director - Student Investment & Development



Marcus Roberts MRICS
RICS Registered Valuer
Director – Head of Student Investment & Development



James Hanmer MRICS
RICS Registered Valuer
Associate Director – Student Investment & Development

DESCRIPTION OF THE ISSUER TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Issuer Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the relevant documents. The Issuer Transaction Documents are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

This section describes the **Issuer Transaction Documents** being:

- (a) the Notes;
- (b) the Note Trust Deed;
- (c) the Agency Agreement;
- (d) any other Transaction Document to which the Issuer is a party; and
- (e) any other document which may be designated as an Issuer Transaction Document.

Transaction Documents means:

- (a) the Issuer Transaction Documents;
- (b) the Common Documents;
- (c) the AssetCo Documents; and
- (d) the Property Documents, *provided that* for the purposes of the Common Terms Agreement the Common Terms shall not apply to any Property Documents unless expressly incorporated therein, but, for the avoidance of doubt, references to the Transaction Documents shall include the Property Documents in any representation, warranty, covenant, Event of Default or similar concept applicable to an AssetCo.

Common Documents means:

- (a) the Common Terms Agreement;
- (b) the Issuer Security Documents;
- (c) the Cash Administration Agreement;
- (d) the Account Bank Agreement;
- (e) the Custody Agreement;
- (f) the On-Loan Agreement;
- (g) the DSRA Loan Agreement;
- (h) the Monitoring Services Agreement;
- (i) the Tax Deed of Covenant;
- (j) Conditions Precedent Agreement; and
- (k) the Management Services Agreement.

Issuer Security Documents means the Issuer Deed of Charge, each Subordinated Lender Deed of Charge, the HoldCo Asset Charge and any other Transaction Document which may be designated an Issuer Security Document.

Issuer Deed of Charge

The Issuer will, on or before the Issue Date, enter into a deed of charge (the **Issuer Deed of Charge**) with, among others, the Issuer Security Trustee (for itself and as trustee for the other Issuer Secured Creditors). Pursuant to the Issuer Deed of Charge, the Issuer will secure its obligations in respect of

the Issuer Secured Liabilities by granting in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, the following security:

- (a) an assignment by way of first fixed security of the benefit of the Issuer under the Transaction Documents (other than the Trust Documents) to which it is a party;
- (b) an assignment by way of security of the benefit of the Issuer under the AssetCo Security Documents (including, without limitation, all such right, title, interest under the AssetCo Security Documents) surrogating and substituting the Issuer Security Trustee in its full right and place therein and thereto;
- (c) a first fixed charge of the benefit of the Issuer Accounts (pursuant to or in accordance with any Transaction Document including any sub-account or sub-accounts relating to that account and any replacement account from time to time) and any bank or other accounts in which the Issuer may at any time have or acquire any benefit; and
- (d) a first fixed charge of the benefit of each Authorised Investment of the Issuer.

In addition, as continuing security for the payment or discharge of the Issuer Secured Liabilities, the Issuer, will also grant in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, a first floating charge, over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security as described above).

In addition, (i) HoldCo has granted the HoldCo Asset Charge and (ii) each Subordinated Lender has entered into a Subordinated Lender Deed of Charge, all in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors as continuing security for the payment and discharge of all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor and, in the case of the HoldCo Asset Charge, all monies, liabilities and obligations incurred by HoldCo to the Issuer or the Issuer Security Trustee (for itself and on behalf of the Issuer Secured Creditors).

The property, assets, rights and undertakings of the Issuer and HoldCo that are the subject of the Security created in or pursuant to the Issuer Security Documents (the **Issuer Charged Property**) will be held on trust by the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors in accordance with, and subject to, the Issuer Deed of Charge until the **Final Discharge Date**, being the date on which all the Issuer Secured Liabilities and/or all other moneys and other liabilities due or owing by the Issuer Obligors have been paid or discharged in full.

The **Issuer Secured Creditors** means:

- (a) the Issuer Security Trustee (for itself and for and on behalf of the other Issuer Secured Creditors);
- (b) the Issuer Note Trustee (for itself and for and on behalf of the Noteholders);
- (c) the AssetCo Security Trustee (for itself and for and on behalf of the other AssetCo Secured Creditors);
- (d) the Cash Administrator;
- (e) the Account Bank;
- (f) the Custodian;
- (g) the Monitoring Adviser;
- (h) each Paying Agent and the Agent Bank;
- (i) the Management Services Provider; and
- (j) such other creditor who accedes to the Issuer Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Creditor.

Issuer Enforcement Notice means a notice referred to as such in the Issuer Deed of Charge and delivered by the Issuer Security Trustee to the Issuer in accordance with the Issuer Deed of Charge.

Issuer Priority of Payments

Prior to the delivery of an Issuer Enforcement Notice, amounts standing to the credit of the Repayment Account will be applied by the Cash Administrator (on behalf of the Issuer) in accordance with the pre-enforcement priority of payments set out below (the **Issuer Pre-Enforcement Priority of Payments**). Following the delivery of an Issuer Enforcement Notice, amounts standing to the credit of the Issuer Accounts will be applied by the Cash Administrator (on behalf of the Issuer) in accordance with the post-enforcement priority of payments set out below (the **Issuer Post-Enforcement Priority of Payments** and together with the Issuer Pre-Enforcement Priority of Payments, the **Issuer Priority of Payments**). Following the delivery of an Issuer Enforcement Notice, the Issuer Security Trustee or any administrative receiver (as applicable) may appoint a replacement Cash Administrator to apply such amounts in accordance with the Issuer Post-Enforcement Priority of Payments.

Issuer Pre-Enforcement Priority of Payments

On each Interest Payment Date, in making payment of any amounts then due and payable in each case only to the extent that preceding items have been paid in full and the relevant payment does not cause the Repayment Account to become overdrawn:

- (a) first, in or towards satisfaction, *pro rata* and *pari passu*, of the any amounts due as at the Repayment Date immediately preceding such Interest Payment Date but not paid in accordance with the Operating Account Priority of Payments in respect of the fees and other remuneration, indemnity payments (if any), costs, charges, liabilities and expenses payable to the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee, the Issuer Note Trustee, any Receiver of any such party or any Appointee appointed under the Trust Documents but yet to be reimbursed and any other unpaid and outstanding amounts payable to the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party under the Trust Documents; *and then*
- (b) in or towards satisfaction, *pro rata* and *pari passu*, of any amounts due as at the Repayment Date immediately preceding such Interest Payment Date but not paid in accordance with the Operating Account Priority of Payments and owing by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of:
 - (1) the Paying Agents and Agent Bank (incurred under the Agency Agreement);
 - (2) the Account Bank (incurred under the Account Bank Agreement);
 - (3) the Custodian (incurred under the Custody Agreement);
 - (4) the Monitoring Adviser (incurred under the Monitoring Adviser Agreement);
 - (5) the Cash Administrator (incurred under the Cash Administration Agreement);
 - (6) the Management Services Provider (incurred under the Management Services Agreement);*and then*
- (c) *pro rata* and *pari passu* all amounts of interest (or equivalent payments) due in respect of the Notes or, in the circumstances contemplated by paragraph (d) below if applicable, all amounts of interest (or equivalent payments) due in respect of an early redemption of any Notes following a prepayment of an Allocated On-Loan Amount in accordance with the appropriate provision of Condition 7 (*Redemption, purchase and cancellation*); *and then*
- (d) *pro rata* and *pari passu* all amounts of principal due (or other amounts payable on redemption of the Notes) or overdue in respect of the Notes and any other amounts payable in connection with an early redemption of Notes or other costs due in respect of such redemption; *provided that* amounts representing a principal prepayment by an AssetCo under the On-Loan Agreement

(together with accrued interest and other amounts due in respect of such prepayment) shall be applied only in the early redemption of the Notes (in whole or in part) in an amount equal to the Allocated On-Loan Amount that has been prepaid in accordance with the appropriate provision of Condition 7 (*Redemption, purchase and cancellation*).

Issuer Post-Enforcement Priority of Payments

Following delivery of an Issuer Enforcement Notice on any date on which amounts (including the proceeds of any enforcement of Issuer Security) have been received or are available for making such a payment, in making payment of or provision for any amounts then due and payable in each case only to the extent that preceding items have been paid in full and the relevant payment does not cause the Issuer Accounts to become overdrawn:

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu* of the amounts due in respect of the fees and other remuneration, indemnity payments (if any), costs, charges, liabilities and expenses payable to the AssetCo Security Trustee, the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party and any costs, charges, liabilities and expenses incurred by the AssetCo Security Trustee, the Issuer Security Trustee, the Issuer Note Trustee, any Receiver of any such party or any Appointee appointed under the Trust Documents and any other amounts payable to the AssetCo Security Trustee, the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party under the Trust Documents; *and then*
- (b) in or towards satisfaction, *pro rata* and *pari passu* of the amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of:
 - (1) the Paying Agents and Agent Bank (incurred under the Agency Agreement);
 - (2) the Account Bank (incurred under the Account Bank Agreement);
 - (3) the House Bank (incurred under the House Bank Agreement);
 - (4) the Custodian (incurred under the Custody Agreement);
 - (5) the Monitoring Adviser (incurred under the Monitoring Services Agreement);
 - (6) the Cash Administrator (incurred under the Cash Administration Agreement); and
 - (7) the Management Services Provider (incurred under the Management Services Agreement);*and then*
- (c) *pro rata* and *pari passu* all amounts of interest (or equivalent payments) due or overdue in respect of the Notes; *and then*
- (d) *pro rata* and *pari passu* all amounts of principal due (or other amounts payable on redemption of the Notes) or overdue in respect of the Notes and any other amounts payable in connection with redemption of the Notes or other costs due in respect of redemption of the Notes; *and then*
- (e) to the Issuer or any other creditor entitled.

Modifications, Consents and Waivers

Proposal Requests

The Issuer shall be entitled to request the Issuer Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document. Any such request shall constitute a **Proposal Request** and references to a Proposal Request in the Issuer Deed of Charge shall, where the context so requires, be deemed to be a reference to an MA Proposal Request as defined in the Monitoring Services Agreement.

A Proposal Request shall be by way of notice in writing to the Issuer Security Trustee signed on behalf of the Issuer, and, *inter alia*:

- (a) certify whether such Proposal Request is in respect of a Discretion Matter, an Ordinary Voting Matter, or an Extraordinary Voting Matter; and/or gives rise to an Entrenched Right;
- (b) propose the form of resolution(s), if applicable to be put to the Noteholders through the Issuer Note Trustee;
- (c) specify the period of time within which the approval of the Issuer Security Trustee is sought (the **Decision Period**) which shall not be fewer than 15 Business Days from the date of delivery of the Proposal Request for any Discretion Matter, Ordinary Voting Matter or Extraordinary Voting Matter, unless the Proposal Request gives rise to an Entrenched Right in which case the Decision Period shall not be fewer than 45 days *provided that*, for Ordinary Voting Matters and Extraordinary Voting Matters, the Decision Period shall be extended for a period of 10 Business Days if the required quorum for the relevant Ordinary Voting Matter or Extraordinary Voting Matter (as the case may be) has not been met within the initial Decision Period; and
- (d) provide such supporting information as in the Issuer's reasonable opinion is necessary for the Issuer Security Trustee or the relevant Issuer Secured Creditor(s) to make an informed assessment of the matters addressed in the Proposal Request and any further information requested by the Issuer Security Trustee or the Monitoring Adviser.

If a Proposal Request is in relation to a Discretion Matter, it shall be accompanied by a certificate signed on behalf of the Issuer, setting out the basis for which the Issuer believes the Issuer Security Trustee would be entitled to concur in (1) making the proposed modification; (2) giving the proposed consent; or (3) granting the proposed waiver, and shall attach all such evidence in support of such belief that the Issuer considers to be reasonably necessary for the Issuer Security Trustee.

If a Proposal Request gives rise to an Entrenched Right, the Issuer shall specify in the Proposal Request the Issuer Secured Creditors in whose favour (in the reasonable opinion of the Issuer) the Proposal Request gives rise to an Entrenched Right or who would be affected by such Proposal Request.

The Issuer shall deliver a copy of the Proposal Request to the Issuer Security Trustee and Monitoring Adviser and, if applicable, to the Majority Noteholder Representative.

Discretion Matter means a matter in which the Issuer Security Trustee may exercise its discretion to approve any request made in a Proposal Request pursuant to the Issuer Deed of Charge.

Entrenched Rights are matters which:

- (a) would delay the date fixed for payment of principal or interest in respect of the relevant Issuer Secured Creditor's debt or would reduce the amount of principal or the rate of interest payable in respect of such debt;
- (b) would bring forward the date fixed for payment of principal or interest in respect of a Issuer Secured Creditor's debt or would increase the amount of principal or the rate of interest payable on any date in respect of such debt;
- (c) would have the effect of adversely changing the Operating Account Priority of Payments, any Issuer Priority of Payments or, in each case, application thereof in respect of an Issuer Secured Creditor;
- (d) would result in the exchange of the relevant Issuer Secured Creditor's debt for, or the conversion of such debt into, shares, notes or other obligations of any other person;
- (e) would change or would relate to the currency of payment due under the relevant Issuer Secured Creditor's debt (other than due to the U.K. adopting the euro);
- (f) would change or would relate to any existing obligation of an Issuer to gross up any payment in respect of the relevant Issuer Secured Creditor's debt in the event of the imposition of withholding taxes;

- (g) in respect of a Trustee or the Monitoring Adviser, would have the effect of imposing further obligations and liabilities under any Transaction Document to which such Trustee or the Monitoring Adviser, as the case may be, is a party other than as contemplated in such Transaction Document; or
- (h) would change or release or have the effect of changing or releasing any of the Issuer Security or the AssetCo Security other than as permitted by the Transaction Documents.

Extraordinary Voting Matters are matters which:

- (a) would change this definition;
- (b) would change any Monitoring Trigger Events, Lock-Up Event or Events of Default in relation to non-payment, the making of Distributions or financial ratios;
- (c) would relate to the waiver of any Monitoring Trigger Events, Lock-Up Event or Events of Default in relation to non-payment, the making of Distributions or financial ratios;
- (d) would change in any adverse respect the restriction on any disposal by the Issuer of an Issuer Obligor or relate to a consent in respect of any such disposal;
- (e) would materially change or have the effect of changing the definition of Permitted Business;
- (f) would change or have the effect of changing the provisions relating to, or which relate to, the waiver of the Substitution Criteria; or
- (g) would bring forward the scheduled maturity date of any Financial Indebtedness following the occurrence of a Monitoring Trigger Event which is continuing.

Ordinary Voting Matters means matters which are not Discretion Matters or Extraordinary Voting Matters.

General discretion to modify, consent or waive in respect of Discretion Matters

The Issuer Security Trustee may subject to *Limitations on general discretion* below, in its sole discretion concur with the Issuer and any other relevant party in making any modification to, giving any consent under, or granting any waiver in respect of any breach or proposed breach of any Common Document to which the Issuer Security Trustee is a party or over which it has the benefit of the Issuer Security under the Issuer Security Documents in respect of any Discretion Matter if:

- (1) in its opinion, it is required to correct a manifest error or it is of a formal, minor or technical nature, or
- (2) such modification, consent or waiver is not, in the opinion of the Issuer Security Trustee, materially prejudicial (where **materially prejudicial** means that such modification, consent or waiver would have a material adverse effect on the ability of the Group to perform its payment obligations to the Issuer Secured Creditors under the Transaction Documents) to the interests of any of the Noteholders.

Limitations on general discretion

Neither the Issuer nor the Issuer Security Trustee shall make or concur in making any modification to, give any consent under, or grant any waiver in respect of any breach or proposed breach of, any Common Document to which it is a party if such modification, consent or waiver is (i) an Ordinary Voting Matter, (ii) an Extraordinary Voting Matter or (iii) is subject to an Entrenched Right.

Binding Force and Authority to sign

Any modification agreed, waiver granted or consent given by the Issuer Security Trustee in accordance with the provisions of the Issuer Deed of Charge shall be binding on all parties to the Issuer Deed of Charge and each of them shall be bound to give effect to it.

The Issuer Security Trustee is authorised under the Issuer Deed of Charge, *inter alia*, to execute and deliver on its behalf all documentation required to implement any modification or the terms of any

waiver or consent granted by the Issuer Security Trustee in respect of any Common Document and such execution and delivery by the Issuer Security Trustee shall bind each party to the Issuer Deed of Charge (other than the Issuer Security Trustee or a member of the Group), subject to the Reserved Matters.

Reserved Matters are the abilities of the Issuer Secured Creditors to exercise the following rights to:

- (a) receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to a Transaction Document to which it is a party as permitted pursuant to the terms of such Transaction Document;
- (b) make determinations of payments due and payable to it under the provisions of any Transaction Document or otherwise;
- (c) assign its rights or transfer any of its rights and obligations under any Transaction Document to which it is a party subject always to the terms of the Common Terms Agreement;
- (d) require the making of payments due and payable to it under the provisions of any Transaction Document to which it is a party as permitted by the terms of such Transaction Document and the Issuer Deed of Charge; and
- (e) exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the other Transaction Documents.

Quorum for an Ordinary Voting Matter and an Extraordinary Voting Matter

The quorum requirement in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter shall initially be one or more Noteholders who represent, in aggregate, at least 20 per cent. of the entire Principal Amount Outstanding of the Notes provided that if the Quorum requirement has not been met within the Decision Period, the quorum requirement shall be reduced to one or more Noteholders who represent, in aggregate, 10 per cent. of the aggregate Principal Amount Outstanding of the Notes and the Decision Period shall be extended for a period of a further 10 days from the expiry of the initial Decision Period.

Requisite majority in respect of an Ordinary Voting Matter

If the quorum requirement for an Ordinary Voting Matter is satisfied, an Ordinary Resolution may be passed by one or more Noteholders holding a simple majority of the Principal Amount Outstanding of the Notes held by the Noteholders in attendance.

The Noteholders who did not cast their votes within the Decision Period will not be counted in the numerator of any fraction used to determine whether the quorum is satisfied, or in either the numerator or the denominator of any fraction used for the purposes of calculating the majority required to approve the relevant Proposal Request.

Requisite majority in respect of an Extraordinary Voting Matter

The majority required to pass an Extraordinary Voting Matter shall be approval by one or more Noteholders holding at least 66.67% of the Principal Amount Outstanding of the Notes held by the Noteholders in attendance.

The Noteholders who did not cast their votes within the Decision Period will not be counted in the numerator of any fraction used to determine whether the quorum is satisfied, or in either the numerator or the denominator of any fraction used for the purposes of calculating the majority required to approve the relevant Proposal Request.

Consent required if Entrenched Rights are involved

Notwithstanding the passing of the Extraordinary Resolution in respect of an Extraordinary Matter, no Proposal Request in respect of any Extraordinary Voting Matter will be implemented if such Proposal Request gives rise to an Entrenched Right and the relevant Affected Issuer Secured Creditor(s) including, where the Issuer is an Affected Issuer Secured Creditor, each Issuer Secured Creditor which is affected by such Entrenched Right (or, as applicable its or their, Secured Creditor Representative or

Secured Creditor Representatives) have not consented to such Proposal Request in respect of its or their Entrenched Right, or such consent is not required due to the lapse of a relevant time period.

Entrenched Rights

No proposed modification to be made, consent to be given or waiver to be granted, in respect of any Transaction Document which gives rise to an Entrenched Right shall be effective, and the Issuer Security Trustee shall not concur with the Issuer in making any modification to, giving any consent under or granting any waiver in respect of breaches or proposed breaches of any Transaction Document which gives rise to an Entrenched Right unless and until the Secured Creditor Representative on behalf of each such Affected Issuer Secured Creditor has confirmed to the Issuer Security Trustee its approval of the relevant modification, consent or waiver (subject to any required quorum and voting majorities specified in the relevant Transaction Document) or the time period referred to in *Minimum Requirements of a Proposal Request* above and set out in the relevant Proposal Request has passed since each such Affected Issuer Secured Creditor was notified of such Entrenched Right (at which time, if an Affected Issuer Secured Creditor has not responded to the Proposal Request, such person or persons shall be deemed to have consented to the relevant Proposal Request and to have confirmed to the Issuer Security Trustee their approval of the relevant modification, consent or waiver).

Affected Issuer Secured Creditor means each Issuer Secured Creditor whose Entrenched Rights are “affected” in the sense that the subject matter of such Entrenched Right constitutes or gives rise to an Entrenched Right with respect to such Issuer Secured Creditor.

Secured Creditor Representative means:

- (i) the Issuer Note Trustee (and any successor Issuer Note Trustee) in respect of the Noteholders; and
- (ii) for each other Issuer Secured Creditor, that relevant Issuer Secured Creditor.

Indemnification of the Issuer Security Trustee

The Issuer Deed of Charge will contain provisions for indemnification of the Issuer Security Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction.

Save as otherwise provided in any Issuer Transaction Document, the Issuer Security Trustee will only be required to take any action under or in relation to, or shall not be obliged to enforce, the Issuer Security unless, it has been indemnified and/or secured and/or prefunded to its satisfaction; *provided that* the Issuer Security Trustee agrees that in respect of the appointment of an administrative receiver of the Issuer or directing the appointment of an administrative receiver of an AssetCo, it shall be treated as being indemnified and secured and/or prefunded to its satisfaction in respect of such appointment(s), pursuant to its rights against the Issuer in the Issuer Deed of Charge.

Liabilities

To the extent permitted by law, no action permitted by the Issuer Deed of Charge, or any neglect or default in connection with the Issuer Charged Property, or possession or realisation of the Issuer Charged Property in accordance with the Issuer Deed of Charge will give rise to liability for the Issuer Security Trustee or any Receiver except in the case of gross negligence, wilful default or fraud.

Governing law

The Issuer Deed of Charge and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

HoldCo Asset Charge

HoldCo Asset Charge means the share charge in respect of all of HoldCo’s shares in the Issuer together with a floating charge over all of the assets of HoldCo dated on or about the Issue Date granted by HoldCo in favour of the Issuer Security Trustee.

Any claim against HoldCo under the terms of the HoldCo Asset Charge shall be limited in recourse to such shares and assets.

Subordinated Lender Deed of Charge

Subordinated Lender Deed of Charge means the deed of charge dated on or about the Issue Date under which a Subordinated Lender shall grant an assignment by way of first fixed security of the benefit of that Subordinated Lender under its Subordinated Loan Agreements in favour of the Issuer Security Trustee.

Any claim against the relevant Subordinated Lender under the terms of the relevant Subordinated Lender Deed of Charge shall be limited in recourse to such benefit.

Common Terms Agreement

General

Each of the Issuer, the Issuer Security Trustee, the Issuer Note Trustee, the AssetCo Security Trustee, HoldCo, the AssetCos, the Account Bank, the Custodian, the Cash Administrator and the Principal Paying Agent, among others, will enter into the Common Terms Agreement on or about the Issue Date. The Common Terms Agreement sets out, amongst other provisions, the representations, covenants (positive, negative and financial), Monitoring Trigger Events, Lock-Up Events, Issuer Events of Default and AssetCo Events of Default in relation to the Transaction.

It is a term of the Common Terms Agreement that where any provision of any other Transaction Document is inconsistent with any provision of the Common Terms Agreement or Master Definitions Schedule, the provision of the Common Terms Agreement shall prevail, unless the inconsistent term is part of the Issuer Deed of Charge in which case the Issuer Deed of Charge will prevail.

It is a requirement of the Common Terms Agreement that on appointment of successor Trustees, each of the Transaction Parties shall take such action as is reasonably required for the purposes of vesting in the successor Trustees the benefit of the Transaction Documents and the rights, powers and obligations of the relevant Trustee under the relevant Transaction Documents. It is also required that the outgoing Trustee be released from future obligations under the relevant Transaction Documents.

The Common Terms Agreement provides that only the Issuer Security Trustee may pursue the remedies available under the general law or under the Transaction Documents to enforce the Issuer Security and no party shall be entitled to proceed directly against the Issuer to enforce the Issuer Security.

Furthermore, it is also a term that each party to the Common Terms Agreement (other than the Issuer Security Trustee) agrees with the Issuer and the Issuer Security Trustee that notwithstanding any other provision of any Transaction Document (other than the Notes), all obligations of the Issuer to it, including the Issuer Secured Liabilities (but excluding the Notes without prejudice to Condition 19 (*Limited Recourse*) of the Notes) of the Issuer Obligors, are limited in recourse such that:

- (a) each party will have a claim only in respect of the Issuer Charged Property of the Issuer and will not have any claim, by operation of law or otherwise, against, or recourse to any of the other assets or the contributed capital of the Issuer;
- (b) the aggregate amount of all sums due and payable to each party in respect of the Issuer's obligations to such party shall reduce by the amount by which the aggregate amount of sums due and payable to such party exceeds the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Issuer Charged Property of the Issuer (after payment of any sums which are payable by the Issuer in accordance with any Issuer Priority of Payments in priority to or *pari passu* with sums payable to such party), whether pursuant to enforcement of the Issuer Security of such Obligor or otherwise; and
- (c) upon the Issuer Security Trustee giving written notice to the Issuer Secured Creditors that it has determined in its sole opinion, that there is no reasonable likelihood of there being any further realisations in respect of the Issuer Charged Property (whether arising from an enforcement of the

Issuer Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents, each party shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

A summary of the representations and warranties, covenants, Monitoring Trigger Events and Lock-Up Events, Issuer Events of Default and AssetCo Events of Default included in the Common Terms Agreement is set out below.

Governing law

The Common Terms Agreement and all non-contractual or other obligations arising out of or in connection with it shall be governed by English law.

Common Terms definitions

The Common Terms Agreement includes a **Master Definitions Schedule** setting out definitions which apply to certain Transaction Documents and include the following:

Acceptable Bank means a bank or financial institution, trust, fund or other entity which is an authorised institution (for the purposes of FSMA) and whose long-term debt is rated at least A1 by S&P or at least A3 by Moody's or, in the case of an institution whose long-term debt is not so rated, a bank or financial institution approved by the Issuer Security Trustee.

Accounting Standards means, in the case of any Financial Statement or information relating to the Issuer or an AssetCo the generally accepted accounting principles applicable to that entity at the relevant time in the United Kingdom, including IFRS.

Affiliate means in relation to any person a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

Appointee means any attorney, manager, agent, delegate, nominee, custodian or other person appointed pursuant to the provisions of the Note Trust Deed or Issuer Deed of Charge.

Assigned Accounts means each Rent Collection Account, each Reserve Account, each Collection Account, each Opex Account, each Insurance Proceeds Account, each Sinking Fund Account, (and, in each case, any renewal or redesignation of the same) and any other account that may be from time to time identified in writing as an Assigned Account by the AssetCo Security Trustee.

Assigned Agreements means each of the following to which an AssetCo is a party:

- (a) the AssetCo Documents;
- (b) the Property Documents; and
- (c) Intra-Group Debt Documents.

Authorised Signatory means, in relation to any Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another duly authorised person of such Party setting out the name and signature of such person and confirming such person's authority to act.

Budgeted Operating Expenditure means the Property Expenditure and the working capital requirements of an AssetCo which has been budgeted on a proper and prudent basis to fall due during a relevant month pursuant to the relevant Operating Budget provided that such Budgeted Operating Expenditure may be adjusted from time to time by the O&M Provider (acting reasonably) or, whilst a Lock-Up Event has occurred and continuing, the Monitoring Adviser (acting reasonably).

Cash Equivalent means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation, issued by an Acceptable Bank;

- (b) any investment in marketable obligations issued or guaranteed by the government of the United States of America, the U.K. or Germany or by an instrumentality or agency of any of them having an equivalent credit rating which:
 - (1) matures within one year after the relevant date of calculation; and
 - (2) is not convertible into any other security;
- (c) open market commercial paper not convertible to any other security:
 - (1) for which a recognised trading market exists;
 - (2) issued in the United States of America, the U.K. or Germany;
 - (3) which matures within one year after the relevant date of calculation; and
 - (4) which has a Minimum Short Term Rating, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or any dematerialised equivalent);
- (e) investments accessible within 30 days in money market funds which:
 - (1) have a credit rating of a Minimum Short Term Rating; and
 - (2) invest substantially all their assets in securities of the types described in Paragraphs (a) to (d) above; or
- (f) any other debt security or investment approved by the Issuer Security Trustee,

in each case, to which any Issuer Obligor is beneficially entitled at that time and which is not issued or guaranteed by any Issuer Obligor or subject to any Security (other than one arising under the AssetCo Security Documents).

Companies Acts has the meaning given to it in section 2 of the Companies Act 2006.

Compliance Certificate means a certificate, substantially in the form of that found in the Common Terms Agreement.

Connected Creditor means any direct or indirect shareholder or Affiliate of an Issuer Obligor.

Damage Deposit Amounts means the amount of all Damage deposits paid by users of an AssetCo's Property and held by a Damage Deposit Account Holder.

Damage Deposit Account Holder means each of Computershare Investor Services Plc (trading as "Deposit Protection Service"), Tenancy Deposit Solutions Ltd (trading as "mydeposits"), the Dispute Service Limited (trading as "Tenancy Deposit Scheme"), Capita Tenancy Deposit Scheme and such other operators from time to time of a tenancy deposit protection scheme approved by the Department for Communities and Local Government (or such regulated deposit protection scheme as may apply from time to time).

Distribution means in respect of any member of the Group, any of the following:

- (a) a redemption, purchase, defeasance, retirement or repayment of any of its shares or share capital (or any instrument convertible into shares or share capital);
- (b) payment of interest, dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its shares or share capital (or any class of its share capital);
- (c) repayment or distribution of any share premium account;
- (d) payment of any management, advisory or other fee to any Connected Creditor;
- (e) payment by the Issuer of any amount to a Reserve Account held by an AssetCo; or

- (f) payment, repayment or prepayment of any amount (whether of principal, fee, interest (either in cash or in kind), premium or any other charge or amount whatsoever) under, pursuant to or in respect of the Subordinated Loans.

Environmental Approvals or **Environmental Permits** shall in either case where used mean any permit, licence, consent, approval or other authorisation and the filing of any notification, report or assessment required under any Environmental Law.

Environmental Claim means any written claim by any person in connection with:

- (a) a breach, or alleged breach, of Environmental Law;
- (b) any accident, fire, explosion or other event of any type involving an emission or substance which is capable of causing harm to any living organism or the environment; or
- (c) any other material environmental contamination in respect of a Property.

Environmental Law means any law or regulation concerning:

- (a) the protection of human health;
- (b) the protection of the environment; or
- (c) any emission or substance which is capable of causing harm to any living organism.

Financial Indebtedness means any indebtedness for or in respect of the following (without double counting):

- (a) moneys borrowed and debit balances at financial institutions;
- (b) any acceptance credit or bill discounting facility (including any dematerialised equivalent);
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any share in any Issuer Obligor which is not held by another Issuer Obligor and which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case at the option of the holder of that security) is capable of maturing or being mandatorily redeemable or redeemable at the option of its holder in whole or in part;
- (e) any agreement treated as a finance or capital lease in accordance with the Accounting Standards;
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (g) the acquisition cost of any asset or service to the extent payable before or after its acquisition or possession by the party liable where the advance or deferred payment:
 - (1) is arranged primarily as a method of raising finance or financing the acquisition or construction of that asset or the acquisition of that service (but excluding trade credit on customary commercial terms); or
 - (2) involves a period of more than twelve months before or after the date of acquisition or supply;
- (h) any other transaction (including any forward sale or purchase agreement and any sale and sale back, sale and lease back or deferred purchase arrangement) which has the commercial effect of a borrowing;
- (i) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or other instrument issued by a bank or financial institution save to the extent the same is issued in respect of obligations other than Financial Indebtedness;
- (j) including (without double-counting) any amount of indexation which has accreted on a liability which is of the nature referred to in the above paragraphs; or

- (k) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above paragraphs.

Financial Statements means, at any time, the financial statements of an Issuer Obligor or an AssetCo, in each case most recently delivered to a Security Trustee.

Financial Year means the 12 month period ending on 30 June in each year.

Holding Company of any other person, means a person in respect of which that other person is a Subsidiary.

IFRS means the International Financial Reporting Standards set by the International Accounting Standards Board.

Insolvency Act means the Insolvency Act 1986 and any subsidiary legislation.

Insolvency Event in respect of any person means any corporate action, legal proceedings or other procedure or step taken by any person in relation to:

- (a) the initiation of or consent to Insolvency Proceedings in respect of such person; or
- (b) the enforcement of any mortgage, charge, lien, pledge or other Security securing any obligation of any person or any other agreement or arrangement having a similar effect, over any assets of or the undertaking of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Issuer Security Trustee); or
- (c) any distress, execution, diligence, expropriation, sequestration, attachment or other process being levied or enforced or imposed upon or against any asset or assets of such person (but excluding, in relation to the Issuer, by the Issuer Security Trustee or by any Receiver of the Issuer appointed by the Issuer Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within thirty (30) days; or
- (d) an arrangement, composition, reorganisation or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such person or a conveyance to or assignment with any creditor of such person or an application to or filing with a court of competent jurisdiction for protection from the creditors of such person or any analogous procedure or steps being taken in any jurisdiction; or
- (e) the appointment of any Insolvency Official in relation to such person or in relation to any part of the undertaking or assets of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Issuer Security Trustee); or
- (f) otherwise than for the purposes of an amalgamation, merger, reorganisation or reconstruction, such person ceasing to carry on business or any part of its business, stopping or suspending or threatening to stop or suspend payment of any of its debts, being unable to or admitting inability to pay its debts as they fall due, being deemed unable to pay its debts pursuant to or for the purposes of any applicable law or commencing negotiations with one or more of its creditors with a review to rescheduling any of its debts; or
- (g) in the case of the Issuer, the Issuer being unable to pay its debts within the meaning of sections 123(1)(b) or (e) of the Insolvency Act and in the case of an AssetCo or any other person is insolvent for the purposes of section 123 of the Insolvency Act,

provided that any winding up whilst the Issuer is solvent for the purpose of a merger, reconstruction, reorganisation, consolidation or amalgamation, the terms of which have previously been approved by the Issuer Security Trustee and any frivolous or vexatious claims dismissed within 30 days, shall not constitute an Insolvency Event.

Insolvency Official means, in respect of any person, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, receiver, nominee, manager, interim manager, supervisor, trustee, conservator, guardian or other similar official or officer in respect of such person

or in respect of any of the person's assets or in respect of any arrangement, compromise or composition with creditors.

Insolvency Proceedings means, with respect to any person, the winding up (liquidation), sequestration, petition, appointment of an administrator (including, the giving of notice of intention to appoint an administrator or the filing of an application for administration) or the making of an administration order or dissolution of such person or any equivalent or analogous proceedings under the laws of any jurisdiction.

Intra-Group Debt means:

- (a) a loan or other form of Financial Indebtedness made or borrowed by:
 - (1) an Issuer Obligor to or from another Issuer Obligor; or
 - (2) any Issuer Obligor to an AssetCo other than an On-Loan; and
- (b) a DSRA Loan.

Intra-Group Debt Documents means any loan agreement or other document evidencing Intra Group Debt.

Material Adverse Effect means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of the Group (taken as a whole) or in relation to an AssetCo, of such AssetCo;
- (b) the ability of an Issuer Obligor to perform its material obligations under any of the relevant Transaction Documents including the issue, sale or offering of any Notes; or
- (c) (subject to the Reservations) the validity or enforceability of, or effectiveness or ranking of any Security granted or purported to be granted pursuant to, any Security Document and the related rights and remedies of the Issuer Secured Creditors under any of the relevant Security Documents.

Material Entity shall mean the O&M Provider (and shall also include its permitted replacements, successors and assigns).

Monitored Activity means:

- (a) as long as there is a Monitoring Adviser appointed, any amendments (save in circumstances where the Common Terms Agreement expressly provides that no Issuer consent is required), determinations, waivers or consents in respect of, or relating to, the AssetCo Documents;
- (b) any changes to the use or alteration of the Properties, subject as applicable to any materiality qualifications specified in the AssetCo Documents;
- (c) any amendment, consent or waiver in respect of a breach or proposed breach in respect of compliance with the relevant AssetCo's Operating Budget whilst a Monitoring Trigger Event has occurred and is continuing and any amendment, consent or waiver in respect of a breach or proposed breach in respect of compliance with the relevant AssetCo's Budgeted Operating Expenditure whilst a Lock-Up Event has occurred and is continuing;
- (d) any termination or replacement of Property Document transaction counterparties (including the O&M Provider, as described further below);
- (e) the exercise of any right, power and discretion of the Issuer of or under any of the provisions of the AssetCo Documents;
- (f) any litigation, arbitration, administrative or other proceedings arising from or in connection with the AssetCo Documents which an AssetCo is obliged to give notice of to the Issuer and the Issuer Security Trustee pursuant to the Common Terms Agreement;
- (g) any right to take Enforcement Action against any AssetCo; and

- (h) any other matter contemplated by the Monitoring Adviser Services under the Monitoring Services Agreement.

Minimum Short Term Rating means A1 or higher by S&P and P2 or higher by Moody's or any equivalent short term rating by any credit rating agency registered under the CRA Regulation.

Monetary Claims means any book and other debts and monetary claims owing to an AssetCo and any proceeds thereof (including any claims or sums of money deriving from or in relation to the proceeds of any Insurance Policy, any court order or judgment, any contract or agreement to which an AssetCo is a party and any other assets, property, rights or undertaking of an AssetCo or an AssetCo's right now or hereafter to recover any VAT on any supplies made to it and any sums so recovered).

Operating Budget means, for each AssetCo, the operating budget setting out the Property Expenditure and the Working Capital Requirements to be incurred for each month of the following Financial Year as such budget is, whilst a Monitoring Trigger Event has occurred and is continuing, approved and amended from time to time in accordance with the terms of the Common Terms Agreement and subject to the Issuer Deed of Charge and the Monitoring Services Agreement.

Permitted Acquisitions means:

- (a) in the case of the Issuer Obligors:
- (1) the acquisition of cash or Cash Equivalents; and
 - (2) any acquisition made with the prior written consent of the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo);
- (b) and in addition, in the case of the AssetCos only:
- (1) the acquisition of any Substitute Property or an Additional Property;
 - (2) the acquisition of any assets required pursuant to Property Documents and not prohibited by the terms of any other AssetCo Documents;
 - (3) the acquisition of any assets contemplated by an Operating Budget or Annual Lifecycle Budget or in accordance with the AssetCo's ordinary course of business; and/or
 - (4) the acquisition of any assets to the extent they are replacement assets,

where acquired for cash or by other means with the prior consent of the Issuer.

Permitted Business means in respect of each AssetCo any business or activity or use contemplated or required by that AssetCo in connection with the relevant Property Scheme *provided that* such business is consistent with carrying on a business of a provider of residential accommodation for the university sector and such other uses contemplated by the relevant AssetCo Transaction Documents.

Permitted Disposal means:

- (a) in the case of each Issuer Obligor:
- (1) any disposal made pursuant to the On-Loan Agreement;
 - (2) any other disposal required or expressly permitted pursuant to the terms of the Transaction Documents or required pursuant to the terms of the Property Documents and not prohibited by the Transaction Documents;
 - (3) any disposal of cash deposits made by an AssetCo with HoldCo and transferred to an Issuer Obligor in accordance with the Transaction Documents;
 - (4) any disposal of Cash Equivalents for cash or in exchange for other Cash Equivalents;
 - (5) any disposal comprising any dividend or distribution not otherwise prohibited; and
- (b) in the case of the AssetCos only, any disposal of assets at arm's length and on normal commercial terms in the ordinary course of the AssetCo's business.

Permitted Financial Indebtedness means:

- (a) in the case of each Issuer Obligor:
 - (1) any Financial Indebtedness incurred under the Transaction Documents;
 - (2) any Treasury Transaction permitted under the Transaction Documents;
 - (3) any Permitted Guarantee; and
 - (4) any Financial Indebtedness expressly permitted in writing by the Issuer in the case of an AssetCo and the Issuer Security Trustee in the case of an Issuer Obligor,
- (b) and in addition in the case of the AssetCos only:
 - (1) any Financial Indebtedness incurred in the ordinary course of business and on normal commercial terms in an amount not exceeding £100,000 (indexed) per year for each AssetCo *provided that* no Security is granted in respect of such Financial Indebtedness; and
 - (2) any Financial Indebtedness incurred pursuant to and in accordance with the Subordinated Loan Agreements (and which is subordinate to the On-Loans and that AssetCo's indebtedness to the Issuer).

Permitted Guarantee means in the case of each Issuer Obligor:

- (a) the AssetCo Guarantee and any guarantee arising under the Transaction Documents or any guarantee which constitutes Permitted Financial Indebtedness; and
- (b) any guarantee expressly permitted in writing by the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

Permitted Loan means in relation to each Issuer Obligor:

- (a) each On-Loan;
- (b) each DSRA Loan; and
- (c) loans made with the prior written consent of the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

Permitted Security Interest means in the case of each Issuer Obligor:

- (a) any Security created or evidenced by the Transaction Documents;
- (b) any Security (existing as at the Signing Date) over assets of any member of the Group, *provided that* such Security is irrevocably released and discharged on the Issue Date;
- (c) any Security comprising a netting, cash pooling or set off arrangement permitted under the terms of the Account Bank Agreement in the ordinary course of its banking arrangements;
- (d) any lien arising by operation of law or any lien or retention of title or purchase money arrangement arising by agreement to substantially the same effect and in the ordinary course of trading;
- (e) in the case of an AssetCo any lien which is contested in good faith by appropriate means and is discharged within 20 Business Days; and
- (f) any Security expressly permitted in writing by the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

Receiver means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act and who is appointed:

- (a) by the AssetCo Security Trustee under the AssetCo Security Documents in respect of the whole or any part of the AssetCo Security; or

- (b) by the Issuer Security Trustee under the Issuer Security Documents in respect of the whole or any part of the Issuer Security.

Regulatory Direction means, in relation to any person, a direction or requirement of any Governmental Authority with whose directions or requirements such person is accustomed to comply.

Related Rights means, in relation to any asset,

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that asset; and
- (d) any monies and proceeds paid or payable in respect of that asset.

Required Filings means the registration of the Security Documents including the registration of a correctly completed Form MR01 and an original executed copy of each of the registerable Transaction Documents with the Registrar of Companies.

Reservations means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court, the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable limitation laws (including the Limitation Act 1980), the possibility that an undertaking to assume liability for or to indemnify a person against non-payment of stamp duty may be void, defences of set off or counterclaim; and
- (c) any other general principles under the laws of any relevant jurisdiction which are set out as qualifications as to matters of law in the legal opinions delivered to the Issuer Security Trustee.

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate or price.

Specified Office means, in relation to any Agent, either the office identified with its name in the Agency Agreement or any other office notified to any relevant parties pursuant to the Agency Agreement.

Subsidiary means:

- (a) a subsidiary within the meaning of section 1159 (and Schedule 6) of the Companies Act 2006;
- (b) a **subsidiary undertaking** within the meaning of section 1162 (and Schedule 7) of the Companies Act 2006;
- (c) an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent of the voting capital or similar right of ownership and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise;
- (d) an entity treated as a subsidiary in the financial statements of any person pursuant to the Accounting Standards; or
- (e) an entity of which a person has the direct or indirect power to direct the management and the policies, whether through the ownership of voting capital or partnership interests, by contract or otherwise.

Tax includes any present or future tax, levy, impost, duty, charge, fee, deduction 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 or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including Her Majesty's Revenue and Customs).

VAT means value added tax imposed by VATA and legislation and regulations supplemental thereto and includes any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time.

VATA means the Value Added Tax Act 1994.

VAT Group means a group for the purposes of the VAT Grouping Legislation.

VAT Grouping Legislation means (a) sections 43 to 43D (inclusive) of VATA, (b) the Value Added Tax (Groups: eligibility) Order 2004 (SI 2004/1931), and (c) any similar provisions relating to VAT outside the United Kingdom.

Representations and warranties

Representations and warranties by the Issuer

On the Signing Date, the Issue Date and (in relation to certain representations and warranties) on each Interest Payment Date, the Issuer will make a number of representations in respect of itself to the Issuer Security Trustee and the Issuer Note Trustee. The representations include, *inter alia*, (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) its due incorporation and power and authority to (1) enter into and perform its obligations under the Issuer Transaction Documents to the extent applicable to it and to create and issue the Notes, and (2) own, lease and operate its assets and (3) carry on its business as it is being conducted;
- (b) its obligations under the Issuer Transaction Documents (other than the Notes) being legal, subject to certain reservations, valid, binding and enforceable and compliance with such obligations;
- (c) its entry into and performance under the Issuer Transaction Documents not conflicting with any document which is binding upon it, its constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals relating to the Issuer having been obtained and compliance with all applicable laws;
- (e) the absence of any Event of Default (and, on the Signing Date and the Issue Date, any Default or Insolvency Events) or other event or circumstance which constitutes (or, with the expiry of a grace period, would constitute) a default or termination event under any other agreement or instrument to which it is a party;
- (f) validity and admissibility in evidence of the Issuer Transaction Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and all acts, conditions and things required to be done in connection thereto have or will be done when so legally required;
- (g) (as at the Signing Date and the Issue Date only) this Prospectus containing all such material information as is necessary to enable investors to make an informed assessment of the Issuer and the rights attaching to the Notes;
- (h) the legality and validity of the Issuer Security and the absence of security interests ranking prior or *pari passu* to the Issuer Security other than Permitted Security Interests;

- (i) (as at the Signing Date and the Issue Date only) save as disclosed in the Prospectus the absence of current, or to the knowledge of its directors, threatened, litigation, arbitration, administrative proceedings or other proceedings (excluding frivolous or vexatious claims discharged within 30 days);
- (j) certain matters related to tax including tax residence and stamp duties;
- (k) matters relating to its centre of main interest;
- (l) as at the Signing Date and the Issue Date, the absence of any action or proceedings being served on it for its winding-up or administration; and
- (m) its most recently delivered Financial Statements having been prepared in accordance with the Accounting Standards and giving a true and fair view of its financial condition.

Representations and warranties by HoldCo

On the Issue Date, and (in relation to certain representations and warranties) on each Interest Payment Date, HoldCo will make a number of representations including, inter alia, (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) its due incorporation and power and authority to (1) enter into and perform its obligations under the relevant Transaction Documents to the extent applicable to them, (2) own, lease and operate its assets and (3) carry on its business;
- (b) its obligations under the relevant Transaction Documents being legal, valid, binding and enforceable and compliance with such obligations;
- (c) its entry into and performance under the relevant Transaction Documents not conflicting with any document or agreement which is binding upon it, its constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals relating to the HoldCo having been obtained and compliance with all applicable laws;
- (e) the validity and admissibility in evidence of the relevant Transaction Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and the absence of filing and registration requirements in relation thereto and all acts, conditions and things required to be done in connection thereto have or will be done when so legally required;
- (f) certain matters related to tax including tax residence, VAT and stamp duties;
- (g) there being no violation of any judgment, law, regulation, order or decree applicable to it;
- (h) the absence of current, or to the knowledge of its directors, threatened, litigation, arbitration, administrative proceedings, governmental or official investigation, Environmental Claims or other proceedings (excluding frivolous or vexatious claims discharged within 30 days);
- (i) the absence of Insolvency Events, Proceedings or other similar events and circumstances;
- (j) there being no security over all or any of its present or future assets other than Permitted Security Interests; and
- (k) subject to certain reservations and filing requirements, the legality and validity of the HoldCo Security and the absence of Security ranking prior or *pari passu* to HoldCo Security.

Representations and warranties by the AssetCos

On the Signing Date, the Issue Date, and (in relation to certain representations and warranties) on each Interest Payment Date, the AssetCos will make a number of representations including (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) their due incorporation and power and authority to (1) enter into and perform their obligations under the relevant AssetCo Documents to the extent applicable to them, (2) own, lease and operate their assets and (3) carry on their respective businesses;
- (b) subject to certain reservations, their obligations under the relevant AssetCo Documents being legal, valid, binding and enforceable and compliance with such obligations;
- (c) their entry into and performance under the relevant AssetCo Documents not conflicting with any document which is binding upon them, their constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals (including, without limitation, Environmental Permits) having been obtained and compliance with all applicable laws (other than where non-compliance could not reasonably be expected to have a Material Adverse Effect);
- (e) all acts having been performed to ensure the validity and admissibility in evidence of the relevant AssetCo Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and the absence of filing and registration requirements in relation thereto;
- (f) certain matters related to tax including tax residence, VAT and stamp duties;
- (g) the absence of any AssetCo Event of Default;
- (h) its most recently delivered Financial Statements having been prepared in accordance with the Accounting Standards and giving a true and fair view of their financial condition;
- (i) there being no violation of any judgment, law, regulation, order or decree applicable to it;
- (j) the absence of current, or to the knowledge of its directors pending or threatened, litigation, arbitration, administrative proceedings, Environmental Claims or other proceedings (excluding frivolous or vexatious claims discharged within 30 days) which would restrain an AssetCo from entering into or performing their obligations under any AssetCo Documents or which, if adversely determined, might reasonably be expected to have a Material Adverse Effect;
- (k) the absence of Insolvency Events, Proceedings or other similar events and circumstances;
- (l) there being no security over all or any of the present or future revenues or assets of the relevant AssetCo other than Permitted Security Interests;
- (m) subject to certain reservations and filing requirements, the legality and validity of the AssetCo Security and the absence of Security ranking prior or *pari passu* to the AssetCo Security created pursuant to the AssetCo Documents;
- (n) full disclosure to the Issuer and each Security Trustee of details of inspections and investigations pursuant to Environmental Law;
- (o) (as at the Signing Date and the Issue Date only) the information relating to it under the headings the *The Property Portfolio*, *Corporate Information on the Issuer Obligors and AssetCos - Multi AssetCo* and *Corporate Information on the Issuer Obligors and AssetCos - Single AssetCo*, being, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), in accordance with the facts and not omitting anything likely to affect the import of such information; and
- (p) none of the Properties or any other material assets of an AssetCo (or part thereof) being subject to any compulsory purchase order or any order, notice or direction having similar effect.

Covenants

The Common Terms Agreement contains certain covenants from each of the Issuer, the HoldCo and the AssetCos. A summary of the covenants is set out below. To the extent these covenants involve information being provided to Noteholders and/or Secured Creditors by or on behalf of the Issuer or an

AssetCo, the Management Services Provider will be authorised to provide such information on behalf of the Issuer, Holdco or the relevant AssetCo.

Issuer corporate covenants

The Issuer covenants with the Issuer Security Trustee and, where applicable, the Issuer Note Trustee that it will comply with certain corporate covenants including, amongst other things, that it:

- (a) shall at all times carry on and conduct its affairs in its own name and in a proper and efficient manner in compliance with any requirement of law and any Regulatory Direction in force in England and Wales or in any other applicable jurisdiction in which it carries on its business and in compliance with its memorandum and articles of association;
- (b) shall do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any Requirement of Law and any Regulatory Direction in connection with its business necessary to enable it to perform lawfully the obligations under the Issuer Transaction Documents (subject to certain reservations) and to ensure the legality, validity, enforceability or admissibility of the same;
- (c) shall maintain its registered office in England and Wales and not move it to another jurisdiction, nor hold meetings of the board of directors outside the United Kingdom, nor take any action which will cause its centre of main interests to be located in any jurisdiction other than the United Kingdom;
- (d) shall cause to be prepared in respect of each of its Financial Years, Financial Statements in such form as will comply with the requirements for the time being of the Companies Act;
- (e) shall, on each Test Date, or otherwise at the request of the Issuer Security Trustee or Issuer Note Trustee deliver a Compliance Certificate stating, amongst other things:
 - (1) the Historic DSCR, the Projected DSCR, the Default Historic DSCR and the Default Projected DSCR;
 - (2) the Debt Service Reserve Amount and the Sinking Fund Required Amount; and
 - (3) that no Default has occurred, or specify details if such Issuer Event of Default has occurred;
- (f) shall supply to the Cash Administrator, the Issuer Note Trustee and the Issuer Security Trustee two copies of each of:
 - (1) its audited Financial Statements, and related auditors' opinion, within 120 days after the end of its preceding Financial Year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement); and
 - (2) its unaudited Financial Statements for the first financial half-year in each of its Financial Years within 60 days after the end of such financial half-year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement for such financial half-year); and
- (g) shall not, until after the Final Discharge Date, save to the extent permitted or contemplated by the Issuer Transaction Documents or with prior written consent of the Issuer Security Trustee:
 - (1) enter into any documents (save, for the avoidance of doubt, as may be required for the Transaction);
 - (2) sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt or purport to sell, convey, transfer, lease or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking or grant any option or right to acquire the same other than Permitted Disposals;
 - (3) grant, create or permit to exist any encumbrance over (including the grant of security or trust over or the occurrence of execution or diligence in respect of) its present or future business, assets or undertaking assets other than Permitted Security Interests;

- (4) pay or make any Distributions (other than from any surplus money available to it from the Operating Account Priority of Payments and then only in the manner permitted by its constitutional documents and by applicable laws and *provided that* no Lock-Up Event is continuing and subject to the terms of the Transaction Documents);
- (5) incur or permit to subsist any Financial Indebtedness whatsoever other than Permitted Financial Indebtedness;
- (6) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person other than Permitted Loans;
- (7) consolidate or merge with any other person;
- (8) surrender any losses or tax reliefs to any other company other than to an AssetCo;
- (9) acquire any leasehold, freehold or heritable property other than Permitted Acquisitions;
- (10) have any employees or premises or have any subsidiary undertaking (as defined in the Companies Acts), other than the AssetCos and any such subsidiary undertaking to the extent permitted in connection with a Substitute Property or an Additional Property, or become a director of any company;
- (11) have an interest in any bank account other than the Accounts unless such account or interest is charged to the Issuer Security Trustee;
- (12) amend, supplement or otherwise modify its constitutional documents where such change would be or would reasonably be expected to be materially prejudicial to the interests of the Noteholders; or
- (13) permit the validity or effectiveness of the Issuer Security Documents or of the Issuer Security to be impaired or to be amended, hypothecated, subordinated, terminated or discharged.

Issuer general covenants

The Issuer also covenants with the Issuer Security Trustee and, where applicable, the Issuer Note Trustee that it will comply with certain general covenants including, amongst other things, that it:

- (a) shall not (except as otherwise permitted or contemplated by the Issuer Transaction Documents) carry on or transact any business other than the raising of funds to provide debt financing to the AssetCos in accordance with the Issuer Transaction Documents, or own any asset or incur any liabilities except as required for the purposes of carrying on that business in accordance with the Issuer Transaction Documents, or suspend, abandon or cease to carry on its business;
- (b) shall upon reasonable notice, during normal business hours allow the Issuer Security Trustee or Issuer Note Trustee (as applicable) and any persons appointed by the Issuer Security Trustee or Issuer Note Trustee access to such books of account and other business records as relate to the assigned rights or the benefit of the assigned rights as the Issuer Security Trustee, the Issuer Note Trustee or any such persons may reasonably require;
- (c) shall promptly notify the Issuer Security Trustee and the Issuer Note Trustee if it becomes aware of any breach of any representation made by it pursuant to the Common Terms Agreement or of any breach of any undertaking given by it in any Issuer Transaction Document;
- (d) shall, if any Proceedings are instituted against it by any of its creditors or in respect of any of the assigned rights, including any litigation or claim calling into question in any material way its interest therein, promptly notify the Issuer Note Trustee and the Issuer Security Trustee of such Proceedings, and notify the court and any receiver appointed in respect of the property the subject of such Proceedings of the interests of the Issuer Security Trustee in the assigned rights;

- (e) shall deliver notice to the Issuer Security Trustee and Issuer Note Trustee forthwith upon becoming aware of any Default, Monitoring Trigger Event or Lock-Up Event without waiting for the Issuer Security Trustee or Issuer Note Trustee to take any further action;
- (f) shall not until the Final Discharge Date, save to the extent permitted by the Issuer Transaction Documents or with the prior written consent of the Issuer Security Trustee terminate, repudiate, rescind or discharge any Issuer Transaction Document, or vary, novate, amend, modify or waive any provision of any Issuer Transaction Document, permit any person to do the aforesaid, or permit any person who has obligations under the Issuer Transaction Documents to be released from such obligations other than in accordance with the terms of the applicable Issuer Transaction Document and any applicable Requirement of Law or Regulatory Direction;
- (g) shall at all times use reasonable endeavours to procure the admission of all listed Notes to the Official List and to trading on the main market of the Irish Stock Exchange, or such other Stock Exchange which is a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 approved by the Issuer Note Trustee, and to maintain such admission until none of the relevant listed Notes are outstanding. If it is unable to maintain the listing having used all reasonable endeavours or if the maintenance of such listing is agreed by the Issuer Note Trustee to be unduly burdensome or impractical, it shall use reasonable endeavours to obtain and maintain a listing of the Notes on such other stock exchange(s) or securities market(s) (in each case which is a recognised Stock Exchange as defined in section 1005 of the Income Tax Act 2007) as it may decide and give notice of the identity of such other Stock Exchange(s) or securities market(s) to the Noteholders;
- (h) shall not engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business with the United States as determined under United States income tax principles;
- (i) shall forthwith give notice to the Noteholders of payments of any sum due in respect of the Notes, the Coupons or the Receipts made after their due date to the Principal Paying Agent or the Issuer Note Trustee as applicable;
- (j) shall, if it gives notice that it intends to redeem any Notes pursuant to their terms prior to giving such notice to the Noteholders, provide to the Issuer Note Trustee:
 - (1) written notice to the Issuer Note Trustee of the Notes which it intends to redeem and the amount of such redemption or repayment; and
 - (2) a certification signed by two Authorised Signatories certifying that it will have the necessary funds on the date on which redemption is to occur to discharge all its liabilities due on such date,
 upon which the Issuer Note Trustee shall be able to rely conclusively and without liability;
- (k) shall not:
 - (1) without the prior written consent of the Issuer Security Trustee, agree to any increase in the aggregate fees payable to the Management Services Provider on any annual basis under the Management Services Agreement in excess of £100,000 per annum (indexed),
 - (2) terminate the appointment of the Management Services Provider unless a replacement services provider has been appointed whose identity and terms of appointment are acceptable to the Issuer Security Trustee, and
 - (3) without the prior written consent of the Issuer Security Trustee, consent to any amendment, waiver or modification of any provision of the Management Services Agreement in relation to the fees payable to the Management Services Provider, the appointment and termination of the appointment of the Management Services Provider and non-petition and limited recourse clauses of the Management Services Agreement;

- (l) shall ensure that the claims of the Issuer Secured Creditors against it under the Issuer Transaction Documents (subject to the certain reservations) to the extent that they are secured pursuant to the Issuer Security Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application;
- (m) shall ensure that all unsecured and unsubordinated payment obligations under each of the Issuer Transaction Documents at all times rank at least pari passu with all its present and future unsecured unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally in its jurisdiction of incorporation or any other jurisdiction where it carries on business; and
- (n) shall, should a long-term debt rating of the Account Bank granted by Moody's or S&P fall below the relevant Minimum Permitted Bank Ratings or be withdrawn, terminate the appointment of such Account Bank and replace such Account Bank within 60 days of such downgrade or withdrawal.

HoldCo positive covenants

HoldCo will covenant with the Issuer Security Trustee and the Issuer Note Trustee that it will comply with certain positive covenants including, amongst other things, that it shall:

- (a) comply in all material respects with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject in each case as relevant to the shares of the Issuer and the HoldCo Asset Charge; and
- (b) perform its obligations under, and comply with the terms of, the relevant Transaction Documents as applicable to it.

HoldCo negative covenants

HoldCo will also covenant with the Issuer Security Trustee and the Issuer Note Trustee that it will comply with certain negative covenants including, amongst other things, that it shall not (save with the prior written consent of the Issuer Security Trustee):

- (a) create or allow to exist any encumbrance over or on its rights, title and interest in the shares of the Issuer other than Permitted Security Interests;
- (b) change its constitutional documents where such change would be or would reasonably be expected to be materially prejudicial to the interests of the other Issuer Secured Creditors;
- (c) carry on or transact any business other than non-trading business of a Holding Company (1) owning shares in the Issuer and indirectly in each AssetCo and (2) entering into the financing arrangements expressly permitted;
- (d) sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt to dispose of its rights, title and interest in the shares of the Issuer, other than through a Permitted Disposal;
- (e) enter into any amalgamation, demerger, merger, consolidation or reconstruction other than as contemplated by the relevant Transaction Documents or enter voluntarily into liquidation or dissolution;
- (f) other than pursuant to a Permitted Acquisition, acquire or subscribe for shares or other ownership interests in or securities of the Issuer; or
- (g) until the Final Discharge Date, save to the extent permitted by the relevant Transaction Documents:
 - (1) terminate, repudiate, rescind or discharge any relevant Transaction Document;
 - (2) vary, novate, amend, modify or waive any provision of any relevant Transaction Document;
 - (3) permit any person to do any of the things specified in (1) or (2) above; or

- (4) permit any person who has obligations under the relevant Transaction Documents to be released from such obligations other than in accordance with the terms of the applicable Transaction Document and any applicable Requirement of Law or Regulatory Direction.

AssetCo positive covenants

Each AssetCo covenants with the Issuer and the AssetCo Security Trustee that it shall, amongst other things:

- (a) at all times carry on and conduct its affairs in its own name and in a proper and efficient manner in compliance with all of its duties and obligations under all applicable law and any Regulatory Direction from time to time in force in England and Wales or in any other jurisdiction in which it carries on business and in compliance with its constitutional documents to the extent that a failure to do so would have a Material Adverse Effect;
- (b) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any Requirement of Law and any Regulatory Direction from time to time in force in England and Wales or in any other applicable jurisdiction in connection with its business to enable it lawfully to enter into and perform its obligations under the relevant AssetCo Documents and, subject to the Reservations and Required Filings having been effected, to ensure the legality, validity, enforceability or admissibility in evidence in England and Wales of the relevant AssetCo Documents;
- (c) cause to be prepared in respect of each of its Financial Years, Financial Statements in such form as will comply with the requirements for the time being of the Companies Acts and shall supply to the Issuer and each Security Trustee and, if applicable, the Cash Administrator, two copies each of:
 - (1) its audited Financial Statements, and related auditors' opinion, within 120 days after the end of its preceding Financial Year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement); and
 - (2) as soon as the same become available, but in any event within 60 days after the end of each financial half year, its unaudited management accounts for such half year;
- (d) on each Test Date and otherwise forthwith on request by the Issuer or a Security Trustee deliver a certificate signed by one of its directors stating that no AssetCo Event of Default or Monitoring Trigger Event in relation to it has occurred and is continuing (or, if this is not the case, specifying the particulars of any such AssetCo Event of Default or Monitoring Trigger Event);
- (e) provide a copy of each Annual Lifecycle Budget to the Issuer;
- (f) supply a draft relevant Operating Budget to the Issuer, not later than 30 Business Days before the end of each Financial Year (other than the first Operating Budget), covering the immediately following Financial Year;
- (g) meet its Liabilities out of its own funds (or funds that it is otherwise permitted to use for those purposes);
- (h) maintain an arm's length relationship with all other entities other than Issuer Obligors;
- (i) comply with the following:
 - (1) (other than in respect of Damage Deposit Amounts) direct that all amounts received by it are paid into the relevant Rent Collection Account and all such amounts are transferred to its Collection Account within 7 Business Days of the date on which they are received,
 - (2) ensure that all Damage Deposit Amounts are paid directly to a Damage Deposit Account Holder, or such amounts are transferred from the Rent Collection Account to a Damage Deposit Account Holder (to be held by such Damage Deposit Account Holder in accordance with the terms of the applicable regulated tenancy deposit protection scheme from time to time) within 30 days of receipt of such amount into its Rent Collection Account,

- (3) not open or operate any account other than as contemplated under the Account Bank Agreement or the House Bank Agreement,
- (4) direct the operation of the AssetCo Accounts only in accordance with the provisions of the Transaction Documents,
- (5) if requested, once per Historic Test Period, provide to the Issuer and the Security Trustees upon at least five Business Days' prior written notice a statement detailing the amount of cash it is projecting to have available for distribution at paragraph (d) of the Operating Account Priority of Payments on the then next succeeding Repayment Date assuming the Operating Account Priority of Payments is applied on the basis of its own income and expenditure only for the relevant period and assuming the relevant payment obligations are calculated on a *pro rata* basis equal to the Relevant Proportion, and
- (6) make reasonable efforts to ensure that the Cash Administrator complies with its obligations under the Cash Administration Agreement and that the Management Services Provider complies with its obligations under the Management Services Agreement;
- (j) promptly obtain and maintain in full force and effect all governmental and regulatory consents, licences, material authorisations and approvals required for the conduct of its business and comply in all material respects with the terms of any authorisation required to enable it to perform its obligations under, and, subject to certain Reservations and Required Filings for the validity or enforceability of, any relevant AssetCo Document and the transactions carried out by it;
- (k) comply in all material respects with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject to the extent that a failure to do so may have a Material Adverse Effect;
- (l) at all times comply with and perform all its obligations under the relevant AssetCo Documents in all material respects and all other leases permissions, consents, approvals, licenses, easements, rights of way and any other rights to which it is or shall be a party;
- (m) preserve and exercise and enforce its rights under the relevant Property Documents in such a way as to comply with applicable law and comply with its obligations under the relevant Property Documents;
- (n) upon reasonable notice, during normal business hours, allow each Security Trustees and any persons appointed by it access to its books of account and other business records;
- (o) perform certain notification obligations;
- (p) if any material legal proceedings are instituted against it by any of its creditors or in respect of any of the assigned rights, including any litigation or claim calling into question in any material way its interest therein and such proceedings are not discharged within 60 days, immediately notify the Issuer Note Trustee and Issuer Security Trustee (amongst others);
- (q) notify the Issuer and Issuer Security Trustee if it must make a deduction or withholding of Tax under the On-Loan Agreement or receives a payment which is subject to withholding tax;
- (r) maintain appropriate insurance with reputable insurers in respect of its relevant Property;
- (s) keep in good and substantial repair and condition its relevant Property in accordance with the terms of the relevant Property Documents and good industry practices;
- (t) observe and perform all its covenants and obligations as lessor or lessee under any lease, underlease, tenancy or agreement for lease or as grantor under or as party to any licence or contract affecting its relevant Property and enforce the due observance and performance of all obligations thereunder in relation to its Property Document constituting a Lease or relating to the ownership, management or marketing any part of its relevant Property; diligently collect all rent and other sums due to it thereunder; use its reasonable endeavours to enforce the

counterparty(ies) obligations thereunder and duly and diligently implement the provisions of such Property Document;

- (u) punctually pay or cause to be paid when due all existing and future rents, Taxes, fees, renewal fees, charges, assessments, impositions and outgoings whatsoever payable in respect of its relevant Property;
- (v) comply with all Environmental Law and obtain and maintain any Environmental Permits required and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same, breach of which (or failure to obtain, maintain or take which) might reasonably be expected to have a Material Adverse Effect and disclose full details to the Issuer in writing as soon as it becomes aware of any Environmental Claim or any facts or circumstances which shall or are reasonably likely to result in any Environmental Claim being commenced or threatened and reasonably likely, if determined against it, to have a Material Adverse Effect;
- (w) on the instruction of the Issuer carry out a review of each Relevant Property in accordance with terms equivalent to those described under *Description of the Issuer Transaction Documents — Monitoring Services Agreement — Sinking Fund review*;
- (x) ensure that the claims of the AssetCo Secured Creditors against it under the relevant AssetCo Documents (subject to the Reservations) to the extent that they are secured pursuant to the AssetCo Security Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application;
- (y) ensure that its unsecured and unsubordinated payment obligations under each of the relevant AssetCo Documents at all times rank at least pari passu with all its present and future unsecured unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally in its jurisdiction of incorporation or any other jurisdiction where it carries on business;
- (z) shall, should a long-term debt rating of the Account Bank granted by Moody's or S&P fall below the relevant Minimum Permitted Bank Ratings or be withdrawn, terminate the appointment of such Account Bank and replace such Account Bank within 60 days of such downgrade or withdrawal;
- (aa) shall, should a long-term debt rating of the House Bank granted by Moody's or S&P fall below the relevant Minimum Permitted Bank Ratings or be withdrawn, terminate the appointment of such House Bank and replace such House Bank within 60 days of such downgrade or withdrawal; and
- (bb) deliver, or procure the delivery, to the Issuer, the Monitoring Adviser and the Security Trustees of:
 - (1) a **Full Valuation Report**, being a valuation report prepared by an Approved Valuer which values all the Properties on a full valuation basis within 120 days of each consecutive fifth anniversary of the date on which the Full Valuation Report was previously provided (the first such Full Valuation Report appears in the section entitled *Valuation Report*); and
 - (2) a **Desk Top Valuation Report**, being a valuation report prepared by an Approved Valuer which values all the Properties on a "desk-top" basis in the period between 30 November and the date falling 120 days thereafter in each year other than a year in respect of which such Properties have been valued on a full valuation basis through the delivery of a Full Valuation Report.

For these purposes **Approved Valuer** means any of Countrywide plc, Jones Lang LaSalle Limited, Mazars Property Consultancy Limited or Savills (UK) Ltd, or any subsidiary of any of them or such other reputable firm of surveyors which is a member of the Royal Institute of Chartered Surveyors and is an 'Independent Valuer' as such term is used in the then current Royal Institute of Chartered

Surveyors' Valuation Standards (known as the Red Book) as may be selected by any AssetCo and approved by the Issuer Security Trustee from time to time.

AssetCo negative covenants

Each AssetCo further covenants with the Issuer and AssetCo Security Trustee that it shall not until after the Final Discharge Date, save with the prior written consent of the Issuer:

- (a) enter into any documents other than (1) the relevant AssetCo Documents or (2) normal business undertakings on an arms' length basis to manage the relevant Property or Properties in line with the relevant Operating Budget *provided that* the same is capable of being assigned in favour of the AssetCo Secured Creditors (*provided further that* contracts entered into with employees or directors or which do not relate to income from the relevant Property Scheme are not required to be so assigned);
- (b) unless the relevant AssetCo has obtained the prior written consent of the AssetCo Security Trustee:
 - (1) terminate, repudiate, rescind, assign, novate, transfer or discharge any Material Property Document;
 - (2) agree or permit any material variation, amendment, supplement, waiver or release of any Material Property Document;
- (c) unless the relevant AssetCo has obtained the prior written consent of the AssetCo Security Trustee in circumstances where the relevant Material Property Document is being entered into or amended on terms such that the aggregate rental payments projected to be received thereunder are less than 85% of the rental payment received in respect of the relevant rooms at the relevant Property in the academic year commencing in September 2014 (as indexed in accordance with the RPI ratio being (1) 100% in the case of any calculation made before 1 November 2015 or (2) the Index Figure for the September immediately preceding such date divided by the Index Figure for September 2014 in the case of any subsequent date):
 - (1) agree or permit any material variation, amendment, supplement, waiver or release of any Property Document in circumstances that such variation, amendment, supplement or waiver would result in such Property Document becoming a Material Property Document; or
 - (2) enter into any new Material Property Document;
- (d) sell, convey, transfer, lease, factor assign or otherwise dispose of any of its properties, assets or undertaking or grant any option or right to acquire the same other than Permitted Disposals;
- (e) grant, create or permit to exist any encumbrance over any of its assets other than Permitted Security Interests;
- (f) incur or permit to subsist any Financial Indebtedness whatsoever other than Permitted Financial Indebtedness;
- (g) make any loans, grant any credit or give any guarantee, indemnity or other assurance against loss to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person other than Permitted Loans or Permitted Guarantees;
- (h) consolidate or merge with any other person or acquire any shares, stock or other securities or other interest in any other person;
- (i) acquire any leasehold, freehold or heritable property or any other assets other than a Permitted Acquisition;
- (j) carry on any foreign exchange transactions or enter into any currency or interest swap agreements or any other derivative or analogous transactions;
- (k) reduce, cancel, repay, purchase or redeem any share capital;

- (l) incur any capital expenditure except as contemplated by the relevant Operating Budget, in relation to any Substitute Property or Additional Property or as envisaged in the Annual Lifecycle Budget;
- (m) any time without the prior written consent of the Issuer effect, carry out or permit any demolition, reconstruction or rebuilding of or any structural alteration to or material change in the use of its relevant Property or sever, unfix or remove any of the fixtures, in any case as described above to the extent that the same would be in breach of any of the relevant AssetCo Documents or would have a Material Adverse Effect;
- (n) amend, supplement or otherwise modify its constitutional documents other than amendments for the purposes of complying with any law where such changes do not adversely impact on the interests of the AssetCo Secured Creditors;
- (o) terminate the appointment of the O&M Provider unless a replacement provider has been appointed whose identity and terms of appointment are acceptable to the Issuer;
- (p) permit the validity or effectiveness of the relevant AssetCo Security Documents or of the relevant AssetCo Security to be impaired or to be amended, hypothecated, subordinated, terminated or discharged;
- (q) carry on or transact any business other than Permitted Business;
- (r) enter into any partnership joint venture or profit sharing arrangement other than under the relevant AssetCo Documents;
- (s) suspend, abandon or cease to carry on its business; or
- (t) until the Final Discharge Date, save to the extent permitted by the relevant Transaction Documents:
 - (1) terminate, repudiate, rescind or discharge any relevant Transaction Document;
 - (2) vary, novate, amend, modify or waive any provision of any relevant Transaction Document;
 - (3) permit any person to do any of the things specified in (1) or (2) above; or
 - (4) permit any person who has obligations under the relevant Transaction Documents to be released from such obligations other than in accordance with the terms of the applicable Transaction Document and any applicable Requirement of Law or Regulatory Direction.

Material Property Document means any Property Document relating to the nomination, letting or allocation of student rooms in a Property that:

- (a) has a remaining term of five years or more; or
 - (b) relates to 50% or more of the maximum number of student rooms at the relevant Property,
- (and, for the avoidance of doubt, a Material Property Document shall not include any document solely relating to any classrooms, shops, laundry facilities or other commercial or leisure premises).

Information covenants

Certain information covenants are entered into, amongst others, such that:

- (a) The Issuer must supply to the Cash Administrator and the Issuer Security Trustee:
 - (1) consolidated audited Financial Statements of the Group (including the Issuer) prepared as if they constituted a statutory group for consolidation purposes, and in each case the related auditors' opinion within 120 days after the end of the preceding Financial Year; and
 - (2) consolidated, unaudited Financial Statements of the Group (including the Issuer) prepared as if they constituted a statutory group for consolidation purposes, in each case for the first financial half year within 60 days of the end of each financial half year,

(such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement for such financial year and be in a form that complies with the requirements for the time being of the Companies Act).

- (b) The Issuer must hold annually an investor meeting or conference call presentation made by the Issuer;
- (c) The Issuer must supply to each Trustee a Compliance Certificate in respect of each Test Date with the Financial Statements noted above. Such Compliance Certificate shall be accompanied by a confirmation as more particularly described below;
- (d) Each Compliance Certificate must include:
 - (1) the Historic DSCR, the Projected DSCR, the Default Historic DSCR and the Default Projected DSCR and in each case calculations thereof in reasonable detail;
 - (2) a general update of the following including narrative and details of any key changes: general overview, business developments and performance evaluation;
 - (3) confirmation of the amount of any Distributions made since the date of the previous Compliance Certificate;
 - (4) as an annexure, the financial model prepared in respect of the Issue Date (being the **Financial Model**) in the form initialled for identification purposes by the Issuer and the Monitoring Adviser as such financial model has been updated as of the first Test Date and then on each anniversary of such Test Date;
 - (5) the following information in respect of each Property for the period that the relevant Compliance Certificate relates to: the amount of Gross Revenue, the amount of Property Expenditure, the amount of lifecycle expenses incurred, the occupancy level and the average rent level; and
 - (6) confirmation that:
 - (A) the Compliance Certificate is accurate in all material respects;
 - (B) no Default, no DSCR Default Event, Lock-Up Event or Monitoring Trigger Event has occurred and is continuing, or
 - (C) if a Default, Lock-Up Event or Monitoring Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default, Lock-Up Event or Monitoring Trigger Event as applicable;

The historic ratios shall be calculated using the relevant audited Financial Statements (or unaudited Financial Statements or management accounts if audited Financial Statements are not available on such date) delivered together with the relevant Compliance Certificate, and (in the case of forward looking ratios) shall be:

- (1) made on the basis of assumptions made in good faith and arrived at after due and careful consideration,
- (2) consistent and updated by reference to the most recently available financial information required to be produced by the Issuer as part of its information covenant obligations, and
- (3) consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).

The Issuer must ensure that all forward looking financial ratio calculations and projections made for the purpose of making the confirmation in paragraph (d)(1) above are made on the basis of assumptions made in good faith and arrived at after due and careful consideration are consistent and updated by reference to the most recently available financial information required to be produced by

and are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections);

- (e) The Issuer must ensure the Financial Statements it provides are prepared in accordance with the Accounting Standards and include a cashflow statement, a profit and loss statement and a balance sheet and give a true and fair view of or, in the case of any unaudited Financial Statement, fairly presents its financial condition (consolidated or otherwise) as at the date to which those Financial Statements were drawn up and of the results of its operations during such period;
- (f) The Issuer Obligors must supply to the Issuer and the Issuer Security Trustee:
 - (1) details of any communication, enquiry, investigation or proceeding with, from or involving a Governmental Authority which may have a Material Adverse Effect;
 - (2) such material information about the business and financial condition of the Group (including the Issuer) or any AssetCo requested by the Issuer or the Issuer Security Trustee; and
 - (3) any information required to be provided to the Monitoring Adviser in connection with its services under the Monitoring Services Agreement and if at any time such appointment has been terminated (and no replacement found) information as would have been provided to the Monitoring Adviser shall be provided to the Issuer and the Issuer Security Trustee;
- (g) The Issuer Obligors must supply to the Issuer and Issuer Security Trustee the following:
 - (1) promptly upon becoming aware of such event, details of:
 - (A) any litigation, arbitration, administrative proceedings, statutory notice (including any announcement or prohibition notice), claim, or other proceedings (**General Proceedings**) which are current, threatened in writing or pending against any member of the Group where such proceedings, have been or there is a reasonable likelihood that they will be adversely determined and which if adversely determined would have or could reasonably be expected to have a Material Adverse Effect; and
 - (B) any General Proceedings which had not previously been considered would have a Material Adverse Effect if at any time the circumstances of the Proceedings change such that they would have or could reasonably be expected to have a Material Adverse Effect and set-out the action to be taken with respect to such matters;
 - (2) information relating to any material insurance claim, vitiation of insurances or non-maintenance of required insurances which could have a Material Adverse Effect; and
 - (3) as soon as reasonably practicable upon becoming aware of such event, details of any non-compliance with any judgment, law, regulation order or decree applicable to any Issuer Obligor which would, if enforced, have or could reasonably be expected to have a Material Adverse Effect;
- (h) Each AssetCo and the Issuer must notify, in the case of an AssetCo only, the Issuer and the Issuer Security Trustee of any Default, Lock-Up Event or Monitoring Trigger Event (and, in each case, the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence; and
- (i) Promptly following any reasonable request by the Issuer Security Trustee, the Issuer must supply to the Issuer Security Trustee a certificate, signed by its Authorised Signatories, certifying that
 - (1) no Default, Lock-Up Event or Monitoring Trigger Event is outstanding of which it is aware, having made all reasonable enquiries, or
 - (2) if a Default, Lock-Up Event or Monitoring Trigger Event is outstanding, specifying the Default, Lock-Up Event or Monitoring Trigger Event and the steps, if any, being taken or proposed to be taken to remedy it.

Monitoring Trigger Events and Lock-up Events

The Common Terms Agreement will also set out certain Monitoring Trigger Events and Lock-up Events. The specific Monitoring Trigger Events and Lock-up Events and the consequences which flow from the occurrence of those events are set out below.

Monitoring Trigger Events

A **Monitoring Trigger Event** will occur:

- (a) at **Trigger Level 1** where Historic DSCR or Projected DSCR is less than the Lock-Up Ratio on any Test Date; and/or
- (b) at **Trigger Level 2** where Historic DSCR or Projected DSCR is below half way between the Lock-Up Ratio and 1:1 on any Test Date.

Initial Test Date means 31st August 2014.

Final Test Date means in respect of any AssetCo the final Test Date on which final repayment of the On-Loans made to such AssetCo is scheduled to occur.

Historic Test Period means the 12 month period ending on and including a Test Date, and in respect of the Initial Test Date, the period from the Issue Date to and including the Initial Test Date.

Projected Test Period means the 12 month period from and including a Test Date.

Test Date means 28th February and 31st August of each Financial Year commencing on the Initial Test Date.

Following the occurrence of any Monitoring Trigger Event (unless remedied as below) the Issuer Obligors shall be subject to the additional monitoring and reporting obligations as set out in the section entitled *Description of the Issuer Transaction Documents — Monitoring Services Agreement — Monitoring under stress conditions*. Following the remedy of a Monitoring Trigger Event, the Issuer must supply the Issuer Security Trustee with a certificate to that effect.

Monitoring Trigger Event Remedy

A **Monitoring Trigger Event Remedy** will occur:

- (a) in relation to a Trigger Level 1 Monitoring Trigger Event if, on two consecutive Test Dates Historic DSCR and Projected DSCR is equal to or greater than the Lock-Up Ratio, and
- (b) in relation to a Trigger Level 2 Monitoring Trigger Event if, on two consecutive Test Dates Historic DSCR and Projected DSCR is equal to or greater than half way between the Lock-Up Ratio and 1:1.

For the avoidance of doubt a Monitoring Trigger Event shall continue unless and until a Trigger Level 1 Monitoring Trigger Event has been remedied.

Lock-Up Events

A **Lock-Up Event** will occur where:

- (a) one or more of the following reserves are not funded to their required levels:
 - (1) the Debt Service Reserve Account,
 - (2) each Sinking Fund Account;
- (b) the O&M Provider is affected by an Insolvency Event or is in breach of its material obligations under an O&M Agreement and either (i) such breach is not cured in accordance with the terms of the O&M Agreement to the satisfaction of the Issuer Security Trustee or (ii) the O&M Provider is not replaced by a suitable replacement O&M Provider within 90 days of the Issuer becoming aware of the same; and/or
- (c) an Issuer Event of Default occurs.

Events of Default

The Common Terms Agreement will set out each **Event of Default** being an Issuer Event of Default or an AssetCo Event of Default. A **Default** means each AssetCo Default and Issuer Default as indicated below.

Issuer Events of Default

The Common Terms Agreement contains certain Issuer Events of Default in relation to the Issuer (each an **Issuer Event of Default**), including:

- (a) default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Notes when due in accordance with the Conditions;
- (b) a default is made by the Issuer in the performance or observance of any other obligation (other than a non-payment referred to in paragraph (a) above), condition, provision, representation or warranty binding upon or made by it under the Notes or Issuer Transaction Documents, and except where such default is not capable of remedy, such default continues for a period of 30 Business Days following the service of notice of default;
- (c) an Insolvency Event occurs in relation to the Issuer;
- (d) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or respect of the Notes or the Transaction Documents;
- (e) the Issuer repudiates its payment obligations under the Notes or any Transaction Document;
- (f) any Financial Indebtedness (other than the Notes) of the Issuer in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
- (g) any expropriation, attachment, sequestration, execution, distress or analogous event on the property, undertakings or assets of the Issuer is not discharged within 30 days;
- (h) a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of the property, undertakings or assets of the Issuer;
- (i) any litigation is started against the Issuer or its assets or revenue which would be reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
- (j) save for each Subordinated Lender Deed of Charge, the Issuer Security ceases to be in full force and effect, or ceases to be a first ranking Security or becomes unenforceable;
- (k) the Issuer ceases to be wholly legally and beneficially owned by HoldCo (subject only to the HoldCo Asset Charge);
- (l) an adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by the Issuer to enable the consummation of the transactions constituted by the Transaction Documents which has a Material Adverse Effect; and
- (m) the occurrence of a DSCR Default Event that remains unremedied (through lack of equity subscriptions or the making of additional advances under a Subordinated Loan Agreement) for a period of 21 days following either (i) the Test Date on which the Compliance Certificate was delivered that disclosed the DSCR Default Event or (ii) the date an amended Compliance Certificate (to remedy an incorrect Compliance Certificate supplied in breach of covenant (b) above), which discloses a DSCR Default Event, was provided.

Issuer Default means each Issuer Event of Default or Potential Issuer Event of Default.

Potential Issuer Event of Default means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination will become an Issuer Event of Default.

AssetCo Events of Default

The Common Terms Agreement contains certain AssetCo Events of Default in relation to each AssetCo (each an **AssetCo Event of Default**) including:

- (a) a default is made by it for a period of 5 Business Days in the payment of interest or principal under a relevant AssetCo Document (other than a relevant Property Document) when due;
- (b) a default is made in the performance or observance of any obligation, condition, provision, representation or warranty binding upon or made by it under a relevant AssetCo Document (other than a relevant Property Document) (other than a non-payment under paragraph (a) above), and except where in the opinion of the Issuer such default is not capable of remedy, such default continues for a period of 15 Business Days following the service of a notice of default or of it becoming aware of such default;
- (c) an Insolvency Event occurs in relation to it;
- (d) it is or will become unlawful for it to perform or comply with any of its obligations under the relevant AssetCo Documents where such failure to perform or comply will individually or cumulatively have or be reasonably likely to have a Material Adverse Effect;
- (e) it repudiates, rescinds or purports to repudiate or rescind a relevant AssetCo Document;
- (f) any of its Financial Indebtedness other than under a relevant AssetCo Document (and other than in respect of any subordinated indebtedness owing to the Subordinated Lenders) in aggregate in excess of £100,000 (indexed) is:
 - (1) not paid when due (or within an applicable grace period); or
 - (2) is stated to be due and payable by reason of an event of default (howsoever described); or
 - (3) in respect of any commitment for such Financial Indebtedness is cancelled or suspended by a creditor by reason of an event of default (howsoever described); or
 - (4) subject to an entitlement of any creditor to declare such Financial Indebtedness due and payable prior to its specified maturity, other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
- (g) any expropriation, attachment, sequestration, execution, distress or analogous event on its property, undertakings or assets which is not discharged or stayed within 30 days;
- (h) a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of its property, undertakings or assets or its relevant Property, seizes, expropriates, nationalises or acquires its property, undertakings or assets or its Property Scheme or all or a material part of the assets of the relevant Property Scheme are requisitioned;
- (i) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are started or threatened against it to restrain the entry into, or the exercise of and/or the performance of or enforcement of or compliance with any of its obligations under the relevant AssetCo Documents which, in each case, is reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
- (j) the AssetCo Security granted by it ceases to be in full force and effect or becomes unenforceable;
- (k) it ceases to be wholly legally and beneficially owned by the Issuer (subject only to the terms of the Issuer Security);
- (l) an adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by it to enable the consummation of the transactions constituted by the relevant AssetCo Documents and, where such consent, licence, authorisation or approval is not replaced, such modification or absence could reasonably be expected to have a Material Adverse Effect;

- (m) its audited accounts are qualified; and
- (n) an Issuer Event of Default has occurred and is continuing.

Non-Performing AssetCo means any AssetCo in respect of which an AssetCo Event of Default has occurred and is continuing.

AssetCo Default means each AssetCo Event of Default or each Potential AssetCo Event of Default.

Potential AssetCo Event of Default means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination will become an AssetCo Event of Default.

Cash management and Priority of Payments

The Issuer Accounts and the AssetCo Accounts are together the **Accounts** and each an **Account**.

The Issuer shall open and maintain the following accounts (each an **Issuer Account**) with the Account Bank in accordance with the Account Bank Agreement and Common Terms Agreement:

- (a) an account to be known as the **Operating Account**;
- (b) an account to be known as the **Repayment Account**;
- (c) an account to be known as the **Distribution Account**; and
- (d) an account to be known as the **Debt Service Reserve Account**.

Each AssetCo shall open and maintain the following accounts (each an **AssetCo Account**) with the Account Bank in accordance with the Account Bank Agreement and Common Terms Agreement:

- (a) an account to be known as a **Collection Account**;
- (b) an account to be known as an **Insurance Proceeds Account**;
- (c) an account to be known as a **Reserve Account**; and
- (d) each AssetCo will open a sinking fund account in relation to its Properties as follows:
 - (1) Single AssetCo will open a sinking fund account in relation to the Nottingham Property;
 - (2) Multi AssetCo will open a sinking fund account in relation to the Greenwich Property; and
 - (3) Multi AssetCo will open a sinking fund account in relation to other Properties owned by it, each to be known as a **Sinking Fund Account**.

In addition, each AssetCo will open and maintain a rent collection account (each a **Rent Collection Account**) in relation to each Property owned by it and an opex account (each an **Opex Account**) with the House Bank. Each Opex Account and each Rent Collection Account are also **AssetCo Accounts**. Each Rent Collection Account and each Opex Account shall be opened and maintained by the AssetCo (as appropriate) with the House Bank in accordance with the House Bank Agreement and (to the extent applicable to each AssetCo) the Common Terms Agreement.

Any new accounts opened with the Account Bank shall, subject to the Account Bank Agreement, be on equivalent terms or as otherwise agreed between the Account Bank, the Issuer, each AssetCo and the Issuer Security Trustee.

Any new accounts opened with the House Bank shall, subject to the House Bank Agreement, be on equivalent terms or as otherwise agreed between the House Bank, the Issuer, each AssetCo and the AssetCo Security Trustee.

Each AssetCo shall procure that, notwithstanding any other provision of the Transaction Documents, any amounts received in respect of any Damage Deposit Amounts that are received by it are paid to a Damage Deposit Account Holder (to be held by such Damage Deposit Account Holder in accordance with the terms of the applicable regulated tenancy deposit protection scheme) from time to time within

30 days of receipt of such amount into its Rent Collection Account. The Security Trustees irrevocably consent to such transfer of any Damage Deposit Amounts notwithstanding the delivery of an Issuer Enforcement Notice or otherwise.

Prior to the delivery of an Issuer Enforcement Notice, the Accounts shall be administered by the Cash Administrator in accordance with the Cash Administration Agreement and the Common Terms Agreement. Following delivery of an Issuer Enforcement Notice, the appointment of CLV as Cash Administrator may be terminated and the Issuer Security Trustee may appoint a new Cash Administrator to administer the Accounts in accordance with the Cash Administration Agreement and the Common Terms Agreement (failing which they shall be administered by the Issuer Security Trustee).

Overriding cash management principles

The amounts payable by the relevant AssetCo pursuant to the terms of the On-Loan Agreement (including, for the avoidance of doubt, any such amounts expressed to be payable on a Repayment Date) are **Payment Date Liabilities**. Amounts credited to the Issuer's Operating Account by each AssetCo shall constitute either:

- (a) **Payment Date Amounts** being revenue (if any) of an AssetCo which has been credited to the Operating Account in amounts up to (but not exceeding) such AssetCo's Payment Date Liabilities; and
- (b) **Surplus Cash** being amounts credited or to be credited in respect of any relevant period to the Operating Account in respect of the revenue of an AssetCo to the extent that such amounts exceed such AssetCo's Payment Date Liabilities falling due in such period:

Application of such Payment Date Amounts or Surplus Cash in accordance with the Operating Account Priority of Payments shall:

- (a) in respect of Payment Date Amounts, constitute discharge on the due date for payment of the relevant Payment Date Liabilities to the extent of such payment to the Repayment Account,
- (b) in respect of Surplus Cash constitute payment of amounts due from the relevant AssetCo under the AssetCo Guarantee.

If Surplus Cash of any AssetCo Guarantor is applied in or towards payment of any Payment Date Liabilities of a Shortfall AssetCo (as defined below) the application of such Surplus Cash shall be deemed to discharge the Payment Date Liabilities of such Shortfall AssetCo to the extent of the amounts so applied.

If any shortfall in any required balance of, or transfer to, or from, any Account which is attributable to insufficient funds being received or available to an AssetCo or paid by such AssetCo (such AssetCo the **Shortfall AssetCo**) is met through applying Surplus Cash attributable to the other AssetCo (being, for this purpose, the AssetCo Guarantor) (**AssetCo Guarantor Surplus Cash**), such AssetCo Guarantor Surplus Cash up to an amount equal to the relevant shortfall amount shall be applied, or deemed applied, in priority to the application of Surplus Cash attributable to the Shortfall AssetCo. Surplus Cash applied by and on behalf of any AssetCo in accordance with the above and the Operating Account Priority of Payments shall constitute payment of amounts due under such AssetCo's AssetCo Guarantee.

Any principal prepayment by an AssetCo under the On-Loan Agreement (together with accrued interest and other amounts due in respect of such prepayment) shall be applied, subject to the Issuer Priority of Payments, by the Issuer in an early redemption of Notes (in whole or in part) in accordance with the appropriate provision of Condition 7 (*Redemption, purchase and cancellation*).

Notes Proceeds Amount

On the Issue Date (or if later as soon as received), the Issuer shall pay or procure payment of an amount equal to the aggregate net proceeds of the issue of the Notes (the **Notes Proceeds Amount**) into the Repayment Account. The Issuer shall advance on the Issue Date the On-Loans to the

AssetCos in accordance with the terms of the On-Loan Agreement in an aggregate amount equal to the Notes Proceeds Amount. The Issuer's obligation to make the On-Loans shall be satisfied to the extent that the amount of such On-Loans are applied directly:

- (a) to pay and discharge the consideration for the acquisition of the relevant Properties payable by the AssetCos which is outstanding on such Issue Date in accordance with the agreed payment and settlement instructions relating to such issue of Notes; and
- (b) to fund the initial deposit in the Debt Service Reserve Account, the initial Sinking Fund Required Amount in the Sinking Fund Accounts and a proportion of the required Budgeted Operating Expenditure in the Opex Accounts as described below.

Rent Collection Account

Each AssetCo shall maintain a Rent Collection Account in relation to each of its Properties. The O&M Provider and each AssetCo shall ensure that all revenues and other income of each AssetCo (other than any amounts received from a Damage Deposit Account Holder, which shall be deposited into the Opex Account) that is received by it or on its behalf are paid directly into the Rent Collection Account. Each AssetCo shall ensure that all amounts paid into its Rent Collection Account or, in the case of Multi-AssetCo, the relevant Rent Collection Accounts are transferred into its Collection Account within 7 days of the day on which such amounts were first received.

Collection Accounts

Each AssetCo shall maintain a Collection Account.

Each Collection Account shall be funded on the Issue Date from the Notes Proceeds Amount, the proceeds of equity subscriptions, the advance of the Subordinated Loans and any rental income held by the Opal Administrators as part of the administration of Opal.

Any amounts transferred in respect of the Notes Proceeds Amount shall be deemed part of the advance of the relevant On-Loan to such AssetCo unless such amount has been funded (directly or indirectly) from the proceeds of equity subscription or the advance of the Subordinated Loans.

From the Collection Accounts, the Cash Administrator, prior to delivery of an Issuer Enforcement Notice and after having transferred any Rent Arrears to the Opal Administrator, shall transfer or make payment each month from the Collection Accounts in the following order of priority:

- (a) *pro rata*, an amount envisaged to be due and payable in or towards satisfaction of:
 - (1) that AssetCo's *pro rata* or, if the Cash Administrator decides otherwise, agreed share of amounts due in respect of fees and other remuneration and indemnity payments (if any) to the AssetCo Security Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses which have been incurred or are to be incurred by the AssetCo Security Trustee, any Appointee and any Receiver under the AssetCo Documents and any other amounts payable to the AssetCo, any Appointee and any Receiver under the AssetCo Documents; and
 - (2) that AssetCo's *pro rata* or, if the Cash Administrator decides otherwise, agreed share of amounts payable to the Issuer by way of Ongoing Facility Fee equal to the amounts due in respect of fees and other remuneration and indemnity payments (if any) to the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses which have been incurred or are to be incurred by the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents and any other amounts payable to the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents; *and then*
- (b) that AssetCo's *pro rata* or, if the Cash Administrator decides otherwise, agreed share of amounts envisaged to be due and payable in or towards satisfaction, *pro rata* and *pari passu*, of any fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of:

- (1) the Account Bank;
- (2) the Paying Agent and/or Agent Bank;
- (3) the Custodian;
- (4) the Monitoring Adviser;
- (5) the House Bank;
- (6) the Cash Administrator; and
- (7) the Management Services Provider (by way of payment of the MSP Fee); *and then*
- (c) that AssetCo's *pro rata* or, if the Cash Administrator decides otherwise, agreed share of amounts due to the O&M Provider (save for amounts representing the O&M Share); *and then*
- (d) the Budgeted Operating Expenditure for each AssetCo to the relevant AssetCo's Opex Accounts; *and then*
- (e) such further amount as it may (acting reasonably and taking into account the Payment Date Liabilities falling due on the next Interest Payment Date and the Gross Revenues projected to be received and the Budgeted Operating Expenditure projected to fall due prior to the next Interest Payment Date) deem necessary to the Issuer's Operating Account to be applied by the Issuer in accordance with the Operating Account Priority of Payments.

Opex Accounts

Each AssetCo shall maintain an Opex Account.

Any amounts received from a Damage Deposit Account Holder shall, prior to delivery of an Issuer Enforcement Notice, be paid directly to the relevant AssetCo's Opex Account.

Prior to delivery of an Issuer Enforcement Notice, all operating expenditure of each AssetCo will be funded from withdrawals from its Opex Account, such operating expenditure shall include amounts as they fall due or in respect of:

- (a) Taxes; and
- (b) to the extent not already provided for or paid by the Cash Administrator from the Collection Accounts, Property Expenditure.

Operating Account

Prior to delivery of an Issuer Enforcement Notice, the Cash Administrator shall, on behalf of the Issuer, on each Repayment Date transfer any amounts standing to the credit of the Operating Account in accordance with the Operating Account Priority of Payments set out below.

Repayment Account

The Cash Administrator shall, on behalf of the Issuer, transfer from the Operating Account to the Repayment Account in accordance with the Operating Account Priority of Payments an amount equal to the Payment Date Liabilities in an amount due from each AssetCo under the On-Loan Agreement (representing when aggregated with all such payments from each AssetCo an amount at least equal to the amount required to discharge payments due on the next following Interest Payment Date to Issuer Secured Creditors).

Prior to the delivery of an Issuer Enforcement Notice, on each Interest Payment Date, the Issuer shall apply funds standing to the credit of the Repayment Account in accordance with the Issuer Pre-Enforcement Priority of Payments.

Following delivery of an Issuer Enforcement Notice any amount credited to the Repayment Account shall be applied in accordance with the Issuer Post-Enforcement Priority of Payments in accordance with the terms of the Issuer Deed of Charge. The Issuer may not prepay any principal amount under the Notes other than from amounts representing the proceeds of prepayment of one or more On-Loans.

Debt Service Reserve Account

The Issuer shall maintain a Debt Service Reserve Account in accordance with the Account Bank Agreement to maintain the Debt Service Reserve Amount.

The Debt Service Reserve Amount shall initially be funded from loans made to the Issuer by the AssetCos, which loans are funded from the proceeds of the On-Loans made to the AssetCos from the proceeds of the issue of the Notes, the proceeds of the Subordinated Loans and equity subscriptions, and thereafter in accordance with the Operating Account Priority of Payments (each such loan to the Issuer a **DSRA Loan**). Amounts (including, for the avoidance of doubt, any interest) may only, subject as follows, be withdrawn from the Debt Service Reserve Account and applied in accordance with the Operating Account Priority of Payments if on any Interest Payment Date and following the application of the Operating Account Priority of Payments there are or would be insufficient amounts standing to the credit of the Repayment Account to fund all scheduled amounts due from the Issuer in respect of the Notes.

Amounts withdrawn from the Debt Service Reserve Account shall be deemed applied in repayment of the relevant DSRA Loan from the relevant Shortfall AssetCo and applied in repayment of the amount(s) due under the On-Loan Agreement to the extent of such amount withdrawn.

Any subsequent amount credited to the Debt Service Reserve Account shall be deemed a further DSRA Loan in relation to such Shortfall AssetCo. Amounts may also be withdrawn from the Debt Service Reserve Account to the extent that the balance of the Debt Service Reserve Account exceeds the Debt Service Reserve Amount, and such withdrawals shall be credited to the Operating Account and deemed to be payments of any accrued interest or repayments of principal in respect of the relevant DSRA Loan.

Sinking Fund Account

Each AssetCo shall maintain a Sinking Fund Account in respect of its Property or Properties (as applicable) save that Multi AssetCo shall maintain an additional Sinking Fund Account in respect of the Greenwich Property only. Each Sinking Fund Account shall be used to maintain sinking fund reserves in the aggregate amount equal to the **Sinking Fund Required Amount**, being on each Test Date the aggregate of:

- (a) 100 per cent. of the amount forecast to be incurred by the relevant AssetCo (or, in relation to the Greenwich Property, forecast to be incurred in respect of the Greenwich Property) in the Annual Lifecycle Budget for the twelve month period immediately following that Test Date;
- (b) 66 per cent. of the amount forecast to be incurred by the relevant AssetCo (or, in relation to the Greenwich Property, forecast to be incurred in respect of the Greenwich Property) in the Annual Lifecycle Budget for the twelve month period immediately following the period referred to in paragraph (a) above;
- (c) 33 per cent. of the amount forecast to be incurred by the relevant AssetCo (or, in relation to the Greenwich Property, forecast to be incurred in respect of the Greenwich Property) in the Annual Lifecycle Budget for the twelve month period immediately following the period referred to in paragraph (b) above; and
- (d) any cumulative under-spend of the Annual Lifecycle Budget to the extent that such under-spend has accumulated since the date of the last Lifecycle Report.

The lifecycle maintenance costs of each AssetCo will be discharged with payments from the relevant Sinking Fund Account. Under the terms of each Sale & Purchase Agreement, on the Business Day immediately following the Issue Date, the Opal Administrators have agreed to deposit an amount of £327,000 into the Sinking Fund Account held by Multi AssetCo in respect of the Greenwich Property and an amount of £228,000 into the Sinking Fund Account held by Single AssetCo. The other Sinking Fund Account maintained by Multi AssetCo shall be funded on the Issue Date by transferring an amount equal to the relevant Sinking Fund Required Amount from the Notes Proceeds Amount and/or the proceeds of equity subscription and/or advance of the Subordinated Loans.

Any amounts transferred from the Notes Proceeds Amount shall be deemed part of the advance of the relevant On-Loan to such AssetCo unless such amount has been funded (directly or indirectly) from the proceeds of equity subscription and/or advance of the Subordinated Loans.

Following the Issue Date, each Sinking Fund Account shall be funded as required in accordance with the Operating Account Priority of Payments.

Insurance Proceeds Account

Each AssetCo, solely to the extent it receives any **Insurance Proceeds** (being the proceeds of any insurance claim (other than any proceeds properly payable and paid directly by the insurer to any third party which is beneficially entitled to such payment) under any insurance policy maintained by any member of the Group), shall ensure that all Insurance Proceeds received by it are paid directly into the Insurance Proceeds Account of that AssetCo. Each AssetCo shall apply amounts standing to the credit of the relevant Insurance Proceeds Account in application toward restitution costs and/or any other obligations which the relevant AssetCo is obliged or permitted to discharge out of the Insurance Proceeds received by such AssetCo and each of the Security Trustees irrevocably consent to the application of such Insurance Proceeds by Single AssetCo notwithstanding the occurrence of an AssetCo Default, the delivery of an Issuer Enforcement Notice or otherwise.

Distribution Account

Prior to delivery of an Issuer Enforcement Notice, on each Repayment Date payments arising under paragraph (j) of the Operating Account Priority of Payments shall be paid into the Distribution Account by the Issuer *provided that* no Lock-Up Event has occurred and is continuing and the Issuer has delivered prior to such distribution a Compliance Certificate in respect of the Interest Payment Date immediately following such Repayment Date.

Provided there has been no delivery of an Issuer Enforcement Notice, on 30 June 2014 (the **Interim Distribution Date**) payments arising under paragraph (i) of the Operating Account Priority of Payments shall be paid into the Distribution Account by the Issuer *provided that* no Lock-Up Event has occurred and is continuing and the Issuer has delivered prior to such distribution a Compliance Certificate evidencing that it could make such a distribution at the Initial Test Date. The calculation of Net Cash Flow within this Compliance Certificate shall be a projection for the Initial Test Date with the exception of Gross Revenues which shall be based on actual Gross Revenues received in the period from the Issue Date to and including the Interim Distribution Date (the conditions contained in this proviso being the **Interim Distribution Conditions**).

On or following each Interest Payment Date and the Interim Distribution Date, the Issuer may prior to the delivery of an Issuer Enforcement Notice, pay all amounts standing to the credit of the Distribution Account towards Distributions to be made by the Issuer to HoldCo or by each AssetCo to the Subordinated Lenders or, if directed to do so by the Issuer, to a Reserve Account.

Reserve Account

Each AssetCo shall maintain a Reserve Account. Each AssetCo shall ensure that no amount is paid into its Reserve Account other than:

- (a) transfers of amounts from the Distribution Account at the direction of the Issuer; and
- (b) any further advances of subordinated debt received from the Subordinated Lenders after the Issue Date pursuant to the terms of the Subordinated Loan Agreements.

Each AssetCo may withdraw and apply sums standing to the credit of its Reserve Account at its discretion.

Authorised Investments

The Cash Administrator may invest in Authorised Investments from such part of the amounts standing to the credit of the Debt Service Reserve Account, the Reserve Accounts and each Sinking Fund Account from time to time as consistent with prudent treasury management and subject as provided

below. The Cash Administrator may only invest in Authorised Investments which are held to the order of the Issuer or each AssetCo (as appropriate). The Cash Administrator will at all times:

- (a) ensure to the best of its knowledge that a prudent spread of any Authorised Investments is maintained; and
- (b) liquidate (or ensure that there are liquidated) Authorised Investments to the extent necessary for the purposes of payment of any amount due under the Transaction Documents.

Authorised Investments means:

- (a) triple-A related money market funds;
- (b) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are guaranteed by the United Kingdom;
- (c) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depository institution or trust company with a maturity of no more than 360 days subject to, inter alia, such debt obligation having a long term debt credit rating of not less than AA from S&P and Aa2 from Moody's or a short term debt or issuer (as applicable) credit rating of not less than A-1 from S&P and P-1 from Moody's (or, in each case, any other equivalent rating given by a credit rating agency registered under the CRA Regulation (an Equivalent Rating)) (in each case, for so long as there are Notes outstanding which are rated by such rating agency);
- (d) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation having a long term credit rating of not less than AA from S&P and Aa2 from Moody's (or an Equivalent Rating), and
- (e) commercial paper or other short-term obligations which, inter alia, have a short term credit rating of not less than A-1 from S&P and P-1 from Moody's (or an Equivalent Rating),

provided that, in all cases, such investment shall be an investment which is an obligation of the United Kingdom or a company incorporated in the United Kingdom, and

- (1) in all cases, such investment shall be an investment which is denominated in Sterling; and
- (2) in all cases other than where the Authorised Investment is the Indexed Benchmark Gilt, such investment shall have a maturity which is not later than maturity of the Note.

Authorised Investment Profit means, in respect of any sale of Authorised Investments, the amount by which the sale price of such Authorised Investments exceeds the original purchase price of such Authorised Investments (if any).

The Cash Administrator must, upon receipt of any proceeds on Authorised Investments (**Investment Proceeds**), apply such Investment Proceeds in either (at the Cash Administrator's discretion):

- (a) reinvestment in further Authorised Investments nominated by the Issuer or the relevant AssetCo (as appropriate); or
- (b) payment to the Account from which the Authorised Investments were made and the Investment Proceeds derive.

The Cash Administrator shall procure that the maximum average life of the Authorised Investments is 24 months. If any investment ceases to be an Authorised Investment, the Cash Administrator must as soon as reasonably practicable after becoming aware of that fact (and in any event, no more than 30 Business Days after that time) replace the investment with an Authorised Investment or with cash as soon as it is reasonably practicable to do so.

Operating Account Priority of Payments

Prior to delivery of an Issuer Enforcement Notice, amounts in the Operating Account shall be disbursed or transferred on each Repayment Date (and in the case of amounts payable pursuant to

paragraph (i) below and to the extent permitted, on the Interim Distribution Date) in the following order of priority (the **Operating Account Priority of Payments**):

- (a) first *pro rata* in payment of:
 - (1) any unpaid and outstanding amounts due in respect of fees and other remuneration and indemnity payments (if any) to the AssetCo Security Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses incurred by the AssetCo Security Trustee, any Appointee and any Receiver under the AssetCo Documents but yet to be reimbursed and any other unpaid and outstanding amounts payable to the AssetCo Security Trustee, any Appointee and any Receiver under the AssetCo Documents; and
 - (2) any unpaid and outstanding amounts payable to the Issuer by way of Ongoing Facility Fee equal to the amounts due in respect of fees and other remuneration and indemnity payments (if any) to the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents but yet to be reimbursed and any other unpaid and outstanding amounts payable to the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents; *and then*
- (b) any unpaid and outstanding fees, costs, indemnity payments, charges, liabilities and expenses and other amounts due to:
 - (1) the Account Bank;
 - (2) the Paying Agents and/or Agent Bank;
 - (3) the Custodian;
 - (4) the Monitoring Adviser;
 - (5) the House Bank;
 - (6) the Cash Administrator; and
 - (7) the O&M Provider and the Management Services Provider by way of payment of the O&M Fee and MSP Fee;
- (c) *pro rata* in payment to the Repayment Account of amounts payable to the Issuer by way of Ongoing Facility Fee, the payment of
 - (1) ongoing corporate expenses (including administrative expenses, auditors fees, corporate and other Taxes other than UK corporation tax at the standard rate from time to time on the taxable profit made by the Issuer) of the Issuer Obligors;
 - (2) payment of amounts due and payable to third party creditors of the Issuer, or to become due and payable to third party creditors (if any) of the Issuer prior to the next Interest Payment Date, of which the Cash Administrator has notice prior to the relevant Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents (and for which payment has not been provided for elsewhere); *and then*
- (d) *pro rata* in payment to the Repayment Account of an amount which has been funded by each AssetCo which is equal to the amount of interest (and any equivalent payments) that will fall due under the relevant On-Loan(s) in respect of the next succeeding Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer to meet all interest on the Notes (and any other related costs and expenses of the Issuer) on the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments; *and then*
- (e) *pro rata* in payment to the Repayment Account of an amount which has been funded by each AssetCo which is equal to the amount of principal (and any other amounts) that is or will fall due

under the relevant On-Loan(s) in respect of the next succeeding Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer to meet all principal payments on the Notes on the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments; *and then*

- (f) on a Repayment Date, an amount to the Debt Service Reserve Account to remedy any shortfall in the Debt Service Reserve Amount (such amount shall be allocated to each AssetCo in accordance with the On-Loan Agreement and allocated as an advance by such AssetCo in accordance with the DSRA Loan Agreement); *and then*
- (g) on a Repayment Date an amount to any Sinking Fund Account to remedy any shortfall in the Sinking Fund Required Amount (such amount shall be allocated to each AssetCo in accordance with the On-Loan Agreement); *and then*
- (h) in or towards payment of the O&M Share to the O&M Provider on behalf of each AssetCo and the MSP Share to the Management Services Provider on behalf of each AssetCo; *and then*
- (i) subject to the Interim Distribution Conditions being satisfied, and provided the then balance standing to the credit of the Operating Account is sufficient to pay in full all amounts due to be paid under paragraphs (a) to (h) above on the immediately following Repayment Date (such amounts being the **First Repayment Date Priority Amounts**), on 30 June 2014 any amounts then standing to the credit of the Operating Account in excess of the First Repayment Date Priority Amounts to the Distribution Account; *and then*
- (j) subject to there being no Lock-Up Event occurred and continuing, on a Repayment Date the remainder to the Distribution Account (and if a Lock-Up Event has occurred and is continuing the amount which would have otherwise been paid to the Distribution Account under this paragraph (h) shall remain in the Operating Account).

Following the transfers made in accordance with the Operating Account Priority of Payments, amounts standing to the credit of the Repayment Account shall be applied in accordance with the relevant Issuer Priority of Payments.

If on any Repayment Date the balance on the Operating Account (after payment in full of all prior ranking claims) (the **remaining balance**) is insufficient to pay in full the aggregate amount specified in paragraphs (d) and (e), then an amount equal to the remaining balance shall, after satisfying all amounts required to be applied in payment to the Performing AssetCos at paragraphs (h) and (i) from the remaining balance, be applied in payment of the Sinking Fund Required Amount of such Non-Performing AssetCo(s) as the Issuer shall direct.

Following delivery of an Issuer Enforcement Notice, the Operating Account Priority of Payments shall not apply and all amounts in the Issuer Accounts (including, without limitation, the Operating Account) shall be disbursed or transferred or applied in accordance with the Issuer Post-Enforcement Priority of Payments.

Monitoring Services Agreement

The Issuer will appoint Bishopsfield Capital Partners Ltd. as Monitoring Adviser to perform various services (the **Monitoring Adviser Services**) in accordance with the Monitoring Adviser Standard and the other terms of the Monitoring Services Agreement. The Monitoring Adviser will use its professional skill and expertise to perform the Monitoring Adviser Services, acting in the best interests of the Noteholders and with regard to the interest of such Noteholders only. In determining the best interests of the Noteholders, the Monitoring Adviser will assume each Noteholder (a **Notional Holder**) has a pro-rata exposure to the Notes then outstanding (together, the **Relevant Securities**) and that maximising aggregate ultimate recoveries to Notional Holders of the Relevant Securities is in the best interests of a Notional Holder but without prejudice to any obligation of the Monitoring Adviser to act reasonably or in good faith. The foregoing standard and assumptions constitute the **Monitoring Adviser Standard**.

The Monitoring Adviser will represent and warrant on the date of the Monitoring Services Agreement to each of the Issuer, Issuer Security Trustee and the AssetCo Security Trustee that:

- (a) it is duly incorporated and existing under the laws of its country of incorporation;
- (b) it has full power and authority for it to carry on its business as it is now being conducted, and to perform the Monitoring Adviser Services contemplated in the Monitoring Services Agreement;
- (c) the Monitoring Services Agreement constitutes its legal, valid and binding obligations;
- (d) the signing and delivery of the Monitoring Services Agreement does not contravene or constitute a default under, or cause to be exceeded any limitation on it or the powers of its directors imposed by or contained in:
 - (1) any law by which it is bound or affected in relation to the provision of the Monitoring Adviser Services;
 - (2) its constitutive documents; or
 - (3) any agreement to which it is a party or by which it is bound,which would in any such case have a material adverse effect on the ability of the Monitoring Adviser to perform the Monitoring Adviser Services;
- (e) it has duly obtained or made each authorisation, approval, consent, licence, exemption or registration required by it for or in connection with the execution and performance of the Monitoring Services Agreement and any matters contemplated thereby have been unconditionally obtained and are in full force and effect; and
- (f) it employs or has available to it sufficient allocated personnel that are adequately trained and sufficiently experienced and who devote such amount of their business time and attention to the activities of the Monitoring Adviser as is necessary for it to provide the Monitoring Adviser Services and perform its duties as contemplated by, and in accordance with, the terms of the Monitoring Services Agreement.

The Monitoring Adviser will also covenant with each of the Issuer, Issuer Security Trustee and the AssetCo Security Trustee to notify the Issuer and Issuer Security Trustee as soon as practicable and in any event within 3 Business Days of any changes to the principal individuals who are performing the Monitoring Adviser Services on a day to day basis and to ensure that it employs or has available at all times sufficient allocated personnel that are adequately trained and sufficiently experienced and to ensure that such personnel will devote such amount of their business time and attention to the activities of the Monitoring Adviser as is necessary for the Monitoring Adviser to provide the Monitoring Adviser Services and perform its duties as contemplated by, and in accordance with the terms of the Monitoring Services Agreement.

The AssetCos and the Issuer will covenant to the Monitoring Adviser to provide in a timely manner and appropriate format all information in their possession which is necessary or reasonably requested by the Monitoring Adviser to perform the Monitoring Adviser Services and fulfil its obligations and duties in accordance with the Monitoring Adviser Standard, and will use all reasonable endeavours to provide all other information which is necessary or reasonably requested by the Monitoring Adviser to perform the Monitoring Adviser Services and fulfil its duties and obligations in accordance with Monitoring Adviser Standard.

The Issuer will hold harmless and fully indemnify the Monitoring Adviser, any Affiliate, transferee, delegate or sub-contractor of the Monitoring Adviser and the directors, officers, agents, employees and controlling persons (if any), as the case may be, of the Monitoring Adviser and of each such Affiliate, transferee, delegate or sub-contractor (each, an **Indemnified Party**) from and against all costs, charges, expenses and liabilities an Indemnified Party may incur or may be made against it in consequence of, or in connection with the Monitoring Services Agreement or the performance of the Monitoring Adviser Services save where:

- (a) such costs, charges, expenses and liabilities arise as a result of the gross negligence, wilful default or fraud an Indemnified Party;
- (b) such costs, charges, expenses and liabilities are finally judicially determined to have resulted from a breach of the Monitoring Adviser's obligations under the Monitoring Services Agreement; or
- (c) the Monitoring Adviser has not notified the Issuer in writing within three months of the Monitoring Adviser first becoming aware of the incurrence of the relevant cost, charge, expense or liability by the relevant Indemnified Party.

The Monitoring Adviser will not be a fiduciary in respect of the performance of the Monitoring Adviser Services. The Monitoring Adviser will not be liable for any loss, liability, claim, expense or damage suffered or incurred by any other Transaction Party or the Noteholders with respect to the performance of its obligations under the Monitoring Services Agreement, save for loss suffered by the Noteholders resulting from its fraud, gross negligence, or wilful default.

Termination

Pursuant to the Monitoring Services Agreement, the Monitoring Adviser will be appointed for an initial term of five years (the **Initial Term**).

The Monitoring Adviser's appointment may be terminated by the Issuer at any time in the Initial Term upon payment of a make-whole amount equal to the fee that would have been due and payable to the Monitoring Adviser had the Monitoring Adviser been engaged for the entirety of the Initial Term.

Further, the Monitoring Adviser's appointment may be terminated by the Issuer (acting on the instructions of the Issuer Security Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction)) upon any express direction or instruction to the Issuer Security Trustee given by Noteholders representing at least 50 per cent. of the then Principal Amount Outstanding of the Notes whether (i) in the case of material breach, wilful default or gross negligence of the Monitoring Adviser under the Monitoring Services Agreement or in performing the Monitoring Adviser Services or (ii) generally in both cases in accordance with the notice periods outlined below.

The Monitoring Adviser's appointment will be immediately terminated if, at any time following the occurrence of an insolvency event with respect to the Monitoring Adviser which has not been cured, the Monitoring Adviser ceases to perform any material obligation with respect to provision of the Monitoring Services.

The Monitoring Adviser may resign as Monitoring Adviser by sending written notice to each of the Issuer and the Issuer Security Trustee on or after the date falling six months after its appointment under the Monitoring Services Agreement, such resignation to take effect upon the date which is 6 months after the date such notice is given.

During the period which ends on the date falling 12 months or, in the case of termination in the case of material breach, wilful default or gross negligence, 3 months (or, in each case, such longer period as may be agreed by the Issuer, the Monitoring Adviser and the Issuer Security Trustee) following the date on which written notice of termination or resignation has been served on or by (as applicable) the Monitoring Adviser (the **Notice Period**) or following the occurrence of an insolvency event with respect to the Monitoring Adviser which has not been cured, the Issuer shall use all reasonable endeavours to procure the appointment of a replacement monitoring adviser acceptable to the Noteholders, provided that, if no such replacement monitoring adviser has been appointed by the date falling six months from the date of commencement of the Notice Period as a result of the occurrence of an insolvency event with respect to the Monitoring Adviser which has not been cured, the Issuer Security Trustee shall be entitled to require the Issuer to appoint such person as the Noteholders may direct in accordance the Monitoring Services Agreement.

The Monitoring Adviser shall be entitled to make written and oral recommendations to each of the Issuer, the AssetCos and the Noteholders in respect of any MA Proposal Request relating to any proposal to terminate the engagement of the Monitoring Adviser or regarding any person proposed as its replacement, including as to the reasons why the Monitoring Adviser should remain appointed as

Monitoring Adviser and/or as to the expertise, qualifications, experience and suitability of any proposed replacement to perform the Monitoring Adviser Services.

If no replacement monitoring adviser has been appointed before the date on which the termination or resignation of the appointment of the Monitoring becomes effective, any MA Proposal Request relating to a Monitored Activity shall be subject to approval of Noteholders representing 50 per cent. of the then Principal Amount Outstanding of the Notes.

Within one month of the expiry of the Initial Term and thereafter within one month of each fifth anniversary of the day on which the Initial Term expired (each a “**Re-tendering Date**”), the Issuer shall invite the Monitoring Adviser and may invite any potential replacements for the role of monitoring adviser (as selected by the Issuer, and/or the Majority Noteholder Representative (if any)) to re-tender for the role of monitoring adviser to perform the Monitoring Adviser Services. Within two months of the relevant Re-tendering Date, the Monitoring Adviser may be re-appointed or replaced. The re-appointment of the Monitoring Adviser shall be subject to the entry into a new fee letter with the Issuer. The replacement of the Monitoring Adviser shall be subject to the approval of a majority of Noteholders representing 50 per cent. of the then Principal Amount Outstanding of the Notes.

Monitoring under normal conditions

The Monitoring Services Agreement will outline the extent of Monitoring Adviser Services to be provided under normal conditions which will include (but are not limited to):

(a) *Regular updates*

- (1) *Management meetings*: The Monitoring Adviser shall arrange for meetings with the management team of the Group on a semi-annual basis (and Issuer shall procure that the management team of the Group convenes such meetings) in order to review and discuss the financial and business performance of each property and the Group.
- (2) *O&M Provider*: The Issuer shall procure that the O&M Provider provides to the Monitoring Adviser all such information available to it as is reasonably necessary for the Monitoring Adviser to perform the Monitoring Adviser Services and to make an informed assessment of the provision of the O&M Services, the performance of each property and compliance with the relevant AssetCo Documents.
- (3) *Property visits*: The Monitoring Adviser and the Issuer must agree a rolling schedule of site visits (each a **Site Visit**) to the property or properties (each a **Relevant Property**) of each AssetCo which schedule shall consist of (A) a Full Site Visit to each Relevant Property within six months of the Issue Date of the Notes, (B) at least one Full Site Visit to each Relevant Property every four years and (C) in each year, an Interim Site Visit to any Relevant Properties which have not been the subject of a Full Site Visit in such year.

Full Site Visit means a Site Visit by the Monitoring Adviser, accompanied by, if requested by the Monitoring Adviser, representatives of the relevant AssetCo and the Issuer and such experts as are considered relevant by the Monitoring Adviser, and which shall include inspection of the Relevant Property by reference to a such technical reports as the Monitoring Adviser may reasonably require.

Interim Site Visit means an ordinary course Site Visit and inspection of the Relevant Property by the Monitoring Adviser accompanied, if requested by the Monitoring Adviser, by representatives of the relevant AssetCo and the Issuer.

If so directed by a majority of Noteholders, the Monitoring Adviser may conduct additional Full Site Visits on reasonable notice to the Issuer if (a) a Trigger Level 2 Event has occurred or (b) such Full Site Visit is determined by the Monitoring Adviser (acting reasonably) to be required in order for it to make any Monitoring Adviser Recommendation.

(b) *Operating budget and Compliance Certificate*

The Monitoring Adviser must as soon as reasonably practicable review:

- (1) the draft Compliance Certificate in accordance with the Monitoring Adviser Standard and consult with Issuer and confirm in an addendum whether, on the basis of information obtained in the performance of the Monitoring Adviser Services, it agrees with the matters stated in the draft Compliance Certificate or shall specify in reasonable detail any reservations with respect to such matters or if it rejects or disputes any of the matters, information or statements included in the draft Compliance Certificate; and
 - (2) the Operating Budget of each AssetCo in order to monitor and ascertain whether such budget is reasonable based upon the information available to the Monitoring Adviser at such time having regard to the performance and financial condition of the business of the Group; the historic expenditure of the Group as the case may be; the debt service requirements of the Issuer, if applicable.
- (c) *Sinking Fund review*

In accordance with their respective obligations under the Transaction Documents, the AssetCos shall, within each 5 year anniversary of the Issue Date, commission an independent and suitably qualified property consultant to review the condition of the Properties and report (the **Lifecycle Report**) on the aggregate lifecycle maintenance costs projected to be required each year of the following 84 months period (the **Lifecycle Period**) to maintain the condition of each Property in good working order, of a quality consistent with those of alternative accommodation available in respect of the relevant Property and consistent with good industry practice (the **Projected Lifecycle Maintenance Costs**). The Lifecycle Report shall specify the Projected Lifecycle Maintenance Costs for the seven year periods in the Lifecycle Period (each such specification, an **Expert Proposed Annual Lifecycle Budget**).

Upon production of the Lifecycle Report, the AssetCos shall for that same Lifecycle Period, produce an aggregate sinking fund budget (the **Asset Lifecycle Report**), which shall contain an aggregate annual budget in respect of each annual period in the Lifecycle Period (each such budget, an **Annual Lifecycle Budget**).

In respect of any year in a Lifecycle Period, the applicable Annual Lifecycle Budget shall be the higher of (i) the Expert Proposed Annual Lifecycle Budget for that year and (ii) the aggregate amount forecast to be incurred in the Financial Model for that year unless the AssetCo Lifecycle Report, containing such Annual Lifecycle Budget, was approved by Noteholders as an MNR Direction Matter at the time it was produced.

In respect of any year, the Monitoring Adviser must review the Annual Lifecycle Budget against the sufficiency of the aggregate sinking funds reserves (further to information provided by the AssetCos) held in the relevant Sinking Fund Account to meet Projected Lifecycle Maintenance Costs. In years between reports, the Monitoring Adviser shall refer back to the previous report, and may at its discretion request the AssetCos to commission a new Lifecycle Report.

Monitoring under stress conditions

The Monitoring Services Agreement will outline the extent of Monitoring Services to be provided under stress conditions which will, on top of those Monitoring Services to be provided under normal conditions, include (but are not limited to):

- (a) *Compensation*: The Monitoring Adviser shall be consulted in order to ascertain that the levels, form and payment terms of any compensation payments payable by any University to an AssetCo, are correctly calculated in accordance with the terms of the relevant AssetCo Documents.
- (b) *O&M Provider*: The Monitoring Adviser shall be consulted in order to ascertain that a proposed replacement O&M Provider has appropriate technical qualifications and financial strength and the new O&M Contract is in form and substance reasonably satisfactory to the Monitoring Adviser.
- (c) *Trigger Level 1*: As soon as is reasonably practicable following the occurrence of a Trigger Level 1, or upon receipt of a Trigger Level Report, the Monitoring Adviser must provide a review

report following meetings (if required by the Monitoring Adviser) with management of the Issuer and any relevant AssetCo (and thereafter on a semi-annual basis for so long as the event is continuing) to the Issuer, the Issuer Security Trustee and the Noteholders stating its views and analysis of the Trigger Level 1 Monitoring Trigger Event. In addition, if a Trigger Level 1 Monitoring Trigger Event has occurred and is continuing, following its review of the Operating Budget of each AssetCo as described under paragraph (b) of *Monitoring under normal conditions* above, the Monitoring Adviser shall provide a Monitoring Adviser Recommendation in respect of such Operating Budget and it shall be subject to approval or rejection by the Issuer Security Trustee in accordance with the MNR Direction Matter decision procedure described below.

- (d) *Trigger Level 2*: The Issuer must prepare a remedial plan including, among other things a proposed cure period and specific and measurable milestones and actively engage the Monitoring Adviser and the Monitoring Adviser shall have consultation rights and be given a right to comment on the remedial plan and prepare a review report (on a quarterly basis) to the Issuer, the Issuer Security Trustee and the Noteholders. The Monitoring Adviser may also request quarterly, or in certain circumstances, monthly meetings on reasonable notice with management of the Issuer and the relevant AssetCo and the Issuer shall procure that such meetings take place.

Monitored Activity Decision Procedures

The Issuer Deed of Charge shall apply mutatis mutandis in relation to any determination as to whether to approve or reject an MA Proposal Request (as defined below), *provided that* any voting and direction arrangements shall be modified according to the provisions of Schedule 2 (*Monitored Activity Decision Procedures*) to the Monitoring Services Agreement. The Monitoring Adviser shall be entitled to assume that the party notified to the Monitoring Adviser on the Issue Date (or any successor notified in accordance with the Monitoring Services Agreement) is the Majority Noteholder Representative at all times until notified in writing to the contrary. Upon receipt of such notice the Monitoring Adviser shall be entitled to assume that the person specified in such notice is the Majority Noteholder Representative until notified in writing to the contrary and the Monitoring Adviser shall be entitled to rely on any notification of a change in identity of the Majority Noteholder Representative without further investigation or liability to any person.

The Issuer has agreed pursuant to the Issuer Deed of Charge that it shall exercise the Financing Rights to which it is entitled under any AssetCo Document only as directed by, or with the prior consent of, the Issuer Security Trustee. **Financing Rights** means all rights which the Issuer has the benefit of pursuant to any AssetCo Document including:

- (a) the right to consent to any amendment, waiver, modification and/or extension of any provision of any AssetCo Document (save, for the purposes of this paragraph (a), any Property Documents or any non-material amendment, waiver, modification or extension of any term of the Management Services Agreement), or the right to direct the AssetCo Security Trustee to do the same;
- (b) the right to exercise any right, power and discretion of or under any of the provisions of any AssetCo Document (save, for the purposes of this paragraph (b), any Property Documents and the Management Services Agreement), or the right to direct the AssetCo Security Trustee to do the same;
- (c) the right to bring any litigation, arbitration, administrative or other proceedings against an AssetCo arising from or in connection with the AssetCo Documents or the right to direct the AssetCo Security Trustee to do the same;
- (d) the right to take Enforcement Action against any AssetCo or the right to direct the AssetCo Security Trustee to do the same; or
- (e) any other right expressed to be in favour of the Issuer under any AssetCo Document.

Enforcement Action means:

- (a) demanding payment of any Liabilities on an accelerated basis;

- (b) accelerating any of the Liabilities or otherwise declaring any Liabilities prematurely due and payable or payable on demand;
- (c) enforcing any Liabilities by attachment, set-off (other than as expressly permitted by the Transaction Documents), execution, diligence, arrestment or otherwise;
- (d) crystallising, or requiring a Security Trustee to crystallise, any floating charge in the Security Documents.
- (e) enforcing, or requiring a Security Trustee to enforce, any Security;
- (f) initiating or supporting or taking any action or step with a view to:
 - (1) any insolvency, bankruptcy, liquidation, reorganisation, administration, receivership, administrative receivership, winding up, judicial composition or dissolution proceedings or any analogous proceedings in relation to any Issuer Obligor in any jurisdiction;
 - (2) any voluntary arrangement, scheme of arrangement or assignment for the benefit of creditors; or
 - (3) any similar proceedings involving any Issuer Obligor whether by petition, convening a meeting, voting for a resolution or otherwise;
- (g) bringing or joining any legal proceedings against any Issuer Obligor (or any of its Subsidiaries) to recover any Liabilities; or
- (h) otherwise exercising any other legal remedy for the recovery of any Liabilities,

provided that none of the following actions shall constitute Enforcement Action (A) proceedings for injunctive relief (or analogous proceedings in any jurisdiction outside England and Wales) to restrain any actual or putative breach of the relevant Transaction Documents or for specific performance without damages or (B) for the purpose of preserving any claim which would otherwise be lost as a result of a statutory limitation period being exceeded, if to do so would not conflict with any other term of the Common Terms Agreement.

Any such direction or consent of the Issuer Security Trustee shall be given in accordance with the Issuer Deed of Charge as modified, to the extent the relevant Financing Right would form the basis of a Monitored Activity by Schedule 2 (*Monitored Activity Decision Procedures*) to the Monitoring Services Agreement. In the event of a conflict between the provisions of Schedule 2 (*Monitored Activity Decision Procedures*) to the Monitoring Services Agreement and the Issuer Deed of Charge, the Issuer Deed of Charge shall prevail.

Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Notes shall be entitled, by delivery of an instruction notice or in response to a notice seeking directions to request the Issuer to initiate an MA Proposal Request. In addition, the Issuer Security Trustee may also request the Issuer to initiate an MA Proposal Request.

Majority Noteholder Representative means the person notified to the Monitoring Adviser and the Issuer Security Trustee to be the Majority Noteholder Representative on the Issue Date in accordance with the Conditions Precedent Agreement or such other person, if any, as is appointed by the holders of more than 50 per cent. of the Principal Amount Outstanding of the Notes and notified in writing to the Monitoring Adviser and the Issuer Security Trustee by such Noteholders.

The Issuer shall make an MA Proposal Request on such terms as may be required by the relevant Noteholders. The procedures described herein relating to the MA Proposal Request shall apply *mutatis mutandis* to any such proposals.

- (a) *MA Proposal Request and Category Determination:* The Issuer shall notify the Issuer Security Trustee, the Majority Noteholder Representative (if the Issuer believes such MA Proposal Request to be a MNR Direction Matter) and the Monitoring Adviser of the terms of a proposal request (**MA Proposal Request**) in connection with any Monitored Activity and shall consult with the Monitoring Adviser in order for the Monitoring Adviser to issue a Monitoring Adviser

Recommendation. An MA Proposal Request shall include a non-binding statement by the Issuer whether it is an "Ordinary Matter" or an "Expedited Matter" and whether in its reasonable opinion it is an MNR Direction Matter, ISC Recommendation Matter or an ISC Direction Matter (as defined below) and the Monitoring Adviser shall confirm or dispute the category within 5 (if an Ordinary Matter) or 3 (if an Expedited Matter) Business Days (the date on which such categorisation is agreed, being the **Category Determination Date**).

- (b) *Monitoring Adviser Recommendation*: Within 10 (if an Ordinary Matter) or 5 (if an Expedited Matter) Business Days of the Category Determination Date, the Monitoring Adviser shall notify the Issuer Security Trustee of its recommendation to approve or reject the MA Proposal Request and, if applicable, any conditions to such approval (the **Monitoring Adviser Recommendation**).
- (c) *MNR Direction Matter*: If the Monitoring Adviser Recommendation relates to a matter which is not an ISC Recommendation Matter or an ISC Direction Matter (such matter a **MNR Direction Matter**) the Majority Noteholder Representative may (but is not obliged), within two Business Days of receipt of the Monitoring Adviser Recommendation, by notice (the **MNR Notice**) (such MNR Notice to contain a confirmation that at the date of such MNR Notice, the holders who have appointed the Majority Noteholder Representative remain the holders of more than 50 per cent. of the Principal Amount Outstanding of the Notes) to the Issuer Security Trustee, direct the Issuer Security Trustee to accept or reject the MA Proposal Request (whether or not in accordance with the Monitoring Adviser Recommendation):
 - (1) If the Issuer Security Trustee receives a MNR Notice within such two Business Day period, the Issuer Security Trustee shall (unless, in the opinion of the Issuer Security Trustee, the directions in such MNR Notice would impose any more onerous obligations on the Issuer Security Trustee or expose it to any liability without indemnification and/or security and/or prefunding to its satisfaction), without further reference to or instructions from the Noteholders, approve or reject the MA Proposal Request on behalf of the Noteholders in accordance with such MNR Notice (and the Issuer Security Trustee shall be entitled to rely conclusively and without any liability on such MNR Notice).
 - (2) If the Issuer Security Trustee has not received a MNR Notice at the end of such two Business Day period, the Issuer Security Trustee shall (unless, in the opinion of the Issuer Security Trustee, such directions would impose any more onerous obligations on the Issuer Security Trustee or expose it to any liability without indemnification and/or security and/or prefunding to its satisfaction), without further reference to or instructions from the Noteholders, approve or reject the MA Proposal Request on behalf of the Noteholders in accordance with the Monitoring Adviser Recommendation (and the Issuer Security Trustee shall be entitled to rely conclusively and without any liability on such Monitoring Adviser Recommendation).
 - (3) If the Monitoring Adviser directs the Issuer Security Trustee to reject a MA Proposal Request relating to a MNR Direction Matter, the Issuer may (but is not obliged to) resubmit the MA Proposal Request and elect to re-categorise such MNR Direction Matter as an ISC Recommendation Matter. Following such election and resubmission, the procedures applicable to an ISC Recommendation Matter including, for the avoidance of doubt, the Monitoring Adviser Recommendation in relation to such ISC Recommendation will apply.

If an MA Proposal Request relates to an MNR Direction Matter but, at the time of such MA Proposal Request, there is no Majority Noteholder Representative, the Issuer Security Trustee shall (unless, in the opinion of the Issuer Security Trustee, such directions would impose any more onerous obligations on the Issuer Security Trustee or expose it to any liability without indemnification and/or security and/or prefunding to its satisfaction), without further reference to or instructions from the Noteholders, approve or reject the MA Proposal Request on behalf of the Noteholders in accordance with the Monitoring Adviser Recommendation (and the Issuer Security Trustee shall be entitled to rely conclusively and without any liability on such Monitoring Adviser Recommendation).

- (d) *ISC voting request*: In relation to an ISC Recommendation Matter or an ISC Direction Matter, the Issuer Security Trustee shall in accordance with the procedures described in the Issuer Deed of Charge send a request specifying a Decision Period to each Noteholder together with the Monitoring Adviser Recommendation.
- (e) *ISC Recommendation Matter*: **ISC Recommendation Matter** means:
- (1) any MA Proposal Request (when taken together with the relevant Monitoring Adviser Recommendation) which is, or could reasonably be expected to be, in the opinion of the Monitoring Adviser, materially adverse to the creditworthiness of the relevant AssetCo or the Group or the interests of the Issuer or the Noteholders; or
 - (2) any MA Proposal Request (when taken together with the relevant Monitoring Adviser Recommendation) that the Monitoring Adviser considers is a matter the approval or rejection of which should be subject to a right to vote of Noteholders in the manner contemplated by clause 6 (ISC Recommendation Matter) of schedule 2 (Monitored Activity Decision Procedures) of the Monitoring Services Agreement.

The Decision Period of an ISC Recommendation Matter shall be not less than 15 Business Days or, if an Expedited Matter, 10 Business Days during which each Noteholder (acting in accordance with the Issuer Deed of Charge and the Common Terms Agreement and subject always to the Entrenched Rights) may vote on a pound for pound basis against the proposed Monitoring Adviser Recommendation. If rejected by Noteholders representing more than 50 per cent. of the then Principal Amount Outstanding of the Notes (an **ISC Rejected Proposal**) the ISC Rejected Proposal shall, if resubmitted by the Issuer on the same terms, instead constitute an **ISC Direction Matter** and a new Decision Period shall commence.

- (f) **ISC Direction Matter** means any MA Proposal Request (when taken together with the relevant Monitoring Adviser Recommendation):
- (1) relating to or having the effect of changing any Payment Terms (including any such matter constituting an Entrenched Right of any class of Issuer Secured Creditors);
 - (2) which would result in the release of any AssetCo Security (or Issuer Security in respect of an AssetCo);
 - (3) which is an ISC Rejected Proposal;
 - (4) following an Issuer Event of Default relating to any proposed Enforcement Action in relation to any AssetCo or (with respect to any AssetCo), the Issuer including, without limitation, any enforcement of any AssetCo Security;
 - (5) in respect of any proposal by the Issuer to terminate the engagement of the Monitoring Adviser or any MA Proposal Request to engage a replacement monitoring adviser; and
 - (6) any other matter which the Monitoring Adviser recommends should be an ISC Direction Matter pursuant to the terms of the relevant Monitoring Adviser Recommendation.

The Decision Period for an ISC Direction Matter shall be not less than 15 Business Days during which each Noteholder may vote on a pound for pound basis for or against the MA Proposal Request or any proposed conditions made in the related Monitoring Adviser Recommendation. The MA Proposal Request may only be approved by Noteholders representing more than 50 per cent. of the then Principal Amount Outstanding of the Notes voting in favour of the MA Proposal Request or, in the case of an MA Proposal Request to terminate or replace the Monitoring Adviser, Noteholders representing more than 50 per cent. of the then Principal Amount Outstanding of the Notes voting in favour of the MA Proposal Request.

- (g) *Re-Categorisation*: The Monitoring Adviser may require the Issuer to make a MA Proposal Request in connection with a Monitoring Adviser Recommendation to re-categorise any matter (other than any ISC Direction Matter) as an MNR Direction Matter, ISC Recommendation Matter or ISC Direction Matter as applicable or add further ISC Direction Matters. The process for

determining whether to approve such MA Proposal Request shall follow the procedure described above in relation to an ISC Recommendation Matter.

- (h) *Binding Decisions*: Following approval or rejection of a MA Proposal Request as described above the Issuer, HoldCo, each Noteholder and each Security Trustee shall (subject to any Reserved Matters exercisable only by their relevant Issuer Secured Creditor and the conditions relating to the Security Trustee described above under *MNR Direction Matter*) be bound by and give effect to such decision and the Issuer Security Trustee and the AssetCo Security Trustee are instructed to act accordingly without any liability.

Governing Law

The Monitoring Services Agreement and all non-contractual or other obligations arising out or in connection with it will be governed by English law.

Cash Administration Agreement

Each of the AssetCos and the Issuer will appoint CLV as Cash Administrator pursuant to a cash administration agreement dated on or before the Issue Date (the **Cash Administration Agreement**). The Cash Administrator will undertake certain cash administration services. The Issuer (with the prior written consent of the Issuer Security Trustee) may at any time (with at least thirty (30) days' prior notice) terminate the Cash Administrator's appointment and appoint a successor Cash Administrator.

Each of the AssetCos and the Issuer will appoint the Cash Administrator as their lawful non-exclusive agent in their name and, on their behalf, to:

- (a) operate the relevant Accounts and effect payments to and from the relevant Accounts in accordance with the provisions of Common Terms Agreement, Monitoring Services Agreement, Issuer Security Documents and the AssetCo Security Documents; and
- (b) invest funds not immediately required by the Issuer or AssetCos in Authorised Investments in accordance with the provisions of the Cash Administration Agreement and the Common Terms Agreement;
- (c) act on the instructions of the Issuer or that AssetCo (as the case may be), to effect payments to and from the relevant accounts to assist the Issuer or that AssetCo (as the case may be) in carrying out treasury management functions as contemplated by the other Transaction Documents; and
- (d) perform on behalf of the Issuer or that AssetCo certain other functions in connection with and ancillary to paragraphs (a) to (c) above.

The Issuer (with the prior written consent of the Issuer Security Trustee) or following the delivery of an Issuer Enforcement Notice may terminate the Cash Administrator's appointment and appoint a successor Cash Administrator if:

- (a) default is made by the Cash Administrator in the performance of any of its material covenants and material obligations under the Cash Administration Agreement which if remediable, continues unremedied for a period of 15 Business Days after the earlier of the Cash Administrator becoming aware of such default and receipt by the Cash Administrator of written notice from the Issuer or either Security Trustee requiring the same to be remedied; or
- (b) an Insolvency Event occurs in relation to the Cash Administrator;
- (c) an Issuer Enforcement Notice is served on the Issuer.

The Cash Administrator is entitled to resign on giving 30 days' written notice *provided that* any such resignation will not become effective until a successor Cash Administrator is appointed. The successor must have similar experience in the calculation and administration of cash and cash accounts, enter into an agreement substantially the same as the Cash Administration Agreement and

the rates payable to the successor must not be more than commonly charged by other cash managers in the United Kingdom.

The Cash Administration Agreement and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Account Bank Agreement

Account Bank

Each of the AssetCos and the Issuer Obligors will appoint Elavon Financial Services Limited, U.K. Branch, a banking corporation organised under the laws of Ireland (the **Account Bank**), acting through its specified office at 5th Floor, 125 Old Broad Street, London EC2N 1AR, to act as Account Bank pursuant to an Account Bank Agreement dated on or before the Issue Date.

The Issuer and the AssetCos will open and shall maintain with the Account Bank the Accounts as indicated in *Cash management and Priority of Payments* above.

The Account Bank shall be an entity whose long-term debt is rated at least A- by S&P or A3 by Moody's (or as approved by the Issuer Security Trustee) (such ratings being the **Minimum Permitted Bank Ratings**).

The appointment of the Account Bank shall be terminated in the event that the long-term debt rating of such Account Bank granted by Moody's or S&P falls below the relevant Minimum Permitted Bank Rating or is withdrawn, whereupon the Issuer and the AssetCos covenant to, within 60 days of such downgrade or withdrawal, terminate the appointment of the Account Bank and appoint a replacement Account Bank.

Prior to the delivery of an AssetCo Enforcement Notice or an Issuer Enforcement Notice, the Account Bank shall act on the instructions of the Cash Administrator.

Interest on bank accounts

Any monies standing to the credit of the Accounts will earn interest at the rate(s) agreed from time to time between the Account Bank and the Issuer or the relevant AssetCo. Pursuant to the Account Bank Agreement, interest accrued on the Accounts will be credited to Account in respect of which such interest accrued.

Receipt of Enforcement Notices

The Account Bank will agree, upon receipt of written notice from the AssetCo Security Trustee that it has delivered an AssetCo Enforcement Notice to the relevant AssetCo (the **Designated AssetCo**):

- (a) that it shall not permit any amount to be withdrawn from any of the Assigned Accounts in respect of the Designated AssetCo without prior written consent of the AssetCo Security Trustee, and shall hold all sums from time to time standing to the credit of the Assigned Accounts to the order of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security;
- (b) to pay or release all or any part of the sums from time to time standing to the credit of the Assigned Accounts in respect of the Designated AssetCo only in accordance with the written instructions of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security;
- (c) to comply with the terms of any written notice or instructions in any way relating to, or purporting to relate to, the Assigned Accounts in respect of the Designated AssetCo which it receives at any time from the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security without any reference to or further authority from the Designated AssetCo and without any enquiry by it as to the justification for or validity of such notice or instruction until notified by the AssetCo Security Trustee or such Receiver to the contrary;

- (d) that it shall send all statements and notices given by the Account Bank relating to the Assigned Accounts in respect of the Designated AssetCo to the AssetCo Security Trustee (and copied to the Cash Administrator); and
- (e) that it shall deliver up all sums (subject to exercise by the Account Bank of its rights of set-off) and copies of documents and records held by the Account Bank in respect of the Assigned Accounts in respect of the Designated AssetCo to the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security or as the AssetCo Security Trustee or any such Receiver shall direct in such notice, provided however that such notice shall be deemed not to apply to any document or record a copy of which the Account Bank is obliged not to release by any law or regulation.

The Account Bank will agree, upon receipt of written notice from the Issuer Security Trustee that it has delivered to the Issuer an Issuer Enforcement Notice:

- (a) that it shall not permit any amount to be withdrawn from any of the Accounts without prior written consent of the Issuer Security Trustee and shall hold all sums from time to time standing to the credit of the Accounts to the order of the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Security;
- (b) to pay or release all or any part of the sums from time to time standing to the credit of the Accounts only in accordance with the written instructions of the Issuer Security Trustee at any time or times or any Receiver appointed with respect to the Issuer Security;
- (c) to comply with the terms of any written notice or instruction in any way relating to, or purporting to relate to, the Accounts which it receives at any time from the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Security without any reference to, or further authority from the Issuer or any AssetCo and without any enquiry by it as to the justification for, or validity of, such notice or instruction until notified by the Issuer Security Trustee or such Receiver to the contrary;
- (d) that it shall send all statements and notices given by the Account Bank relating to the Accounts to the Issuer Security Trustee (and copied to the Issuer and the Cash Administrator); and
- (e) that it shall deliver up all sums (subject to exercise by the Account Bank of its rights of set-off) and copies of documents and records held by the Account Bank in respect of the relevant Account(s) to the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Security or as the Issuer Security Trustee or any such Receiver shall direct in such notice, provided however that such notice shall be deemed not to apply to any document or record a copy of which the Account Bank is obliged not to release by any law or regulation.

General

The AssetCos and the Issuer shall at all times indemnify and keep indemnified the Account Bank on demand fully and effectively from and against all losses, liabilities, claims, actions, damages and for all proper costs and expenses (including proper legal fees and disbursements) incurred by the Account Bank in connection with the Account Bank Agreement but shall not extend to any losses, liabilities, claims, actions, damages, costs and expenses incurred by the Account Bank to the extent that the same arise by reason of gross negligence, fraud or wilful default by the Account Bank.

The Account Bank Agreement and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Custody Agreement

Custodian

The Issuer and each AssetCo will appoint Elavon Financial Services Limited, U.K. Branch, a banking corporation organised under the laws of Ireland (the **Custodian**), acting through its specified office at 5th Floor, 125 Old Broad Street, London EC2N 1AR, to act as Custodian pursuant to a Custody

Agreement dated on or before the Issue Date to provide certain services to the Issuer and each AssetCo.

Custody Account

Pursuant to the Custody Agreement, the Custodian will, subject to receipt of such documents as it may require, open separate custody sub-accounts (each, a **Custody Sub-Account**) and separate cash sub-accounts (each, a **Cash Sub-Account**) (each Cash Sub-Account and, together with each Custody Sub-Account, the **Custody Accounts**) for, and in the name of, each of the Issuer and each AssetCo.

Payments and Delivery

The Issuer has authorised the Custodian to make payments and delivery out of the Custody Account only for the purpose of any acquisition or sale of Authorised Investments or as provided below.

Pursuant to the Custody Agreement, unless otherwise instructed pursuant to instructions to make a payment out of the proceeds of any distributions in respect of Authorised Investments purchased by the Issuer or an AssetCo in the settlement of an acquisition of other Authorised Investments on or prior to the date of receipt of such Authorised Investments (subject as provided below), the Issuer and each AssetCo have agreed to give instructions to the Custodian, forthwith upon receipt by the Custodian of any distributions, to transfer all such distributions credited to the Cash Sub-Account to the Operating Account, subject, in each case, to any deductions in respect of any taxes or levies required by any revenue or governmental authority.

Interest on Cash Sub-Account

Any monies standing to the credit of the Cash Sub-Account will earn interest at the rate(s) agreed from time to time between the Issuer and the Custodian.

Governing law

The Custody Agreement and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Note Trust Deed

On or before the Issue Date, the Issuer and the Issuer Note Trustee, *inter alios*, will enter into the Note Trust Deed pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes and contain a covenant from the Issuer to the Issuer Note Trustee to pay all amounts due under the Notes.

The Issuer Note Trustee will hold the benefit of that covenant on trust for itself and the Noteholders, Receiptholders and Couponholders in accordance with their respective interests. If, in the Issuer Note Trustee's opinion, there is a conflict between the interests between the holders of the Classes of Notes it shall have regard to the interests of the holders of the Class then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Classes or for individual Noteholders.

The Issuer will covenant with the Issuer Note Trustee that it will comply with the relevant covenants set out in the Common Terms Agreement. See the section entitled *Description of the Issuer Transaction Documents — Common Terms Agreement* for further details.

In addition, the Issuer will also represent and warrant to the Issuer Note Trustee in accordance with the relevant representations and warranties in the Common Terms Agreement. See the section entitled *Description of the Issuer Transaction Documents — Common Terms Agreement* for further details.

Indemnification of the Issuer Note Trustee

The Note Trust Deed will contain provisions for indemnification of the Issuer Note Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Issuer Note Trustee or any of its affiliates will be entitled to enter into business transactions with any Issuer Obligor or any person or body corporate associated with any

Issuer Obligor without accounting for any profit resulting therefrom. Save as otherwise provided in the Conditions or any Issuer Transaction Document, the Issuer Note Trustee will only be required to take any action under or in relation to the Note Trust Deed, the Conditions or any other Issuer Transaction Document, if so directed by an Extraordinary Resolution of the holders of the then outstanding Notes or if so requested in writing by holders of at least 25 per cent. in nominal amount of the then outstanding Notes and in all cases if indemnified and/or secured and/or prefunded to its satisfaction.

Directions, duties and liabilities

Subject to Sections 750 and 751 of the Companies Act 2006, the Issuer Note Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the Note Trust Deed or any other Issuer Transaction Document save in relation to its own gross negligence, wilful default or fraud.

Governing law

The Note Trust Deed and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Agency Agreement

Pursuant to the Agency Agreement to be entered into between the Issuer, the Principal Paying Agent, Agent Bank and Issuer Note Trustee provision will be made for, amongst other things, payment of principal and interest in respect of the Notes.

The Issuer may revoke the appointment of any Agent as its agent in relation to the Notes by not less than 30 days' notice to that effect to such Agent and the Issuer Note Trustee provided, however, that, in the case of a Required Agent, such revocation shall not be effective until a successor thereto has been appointed by the Issuer as its agent in relation to such Class of Notes in accordance with the terms of the Agency Agreement and (in the case of the Principal Paying Agent) *provided that* not less than 30 days' notice of such appointment has been given in accordance with the Conditions.

As used above a **Required Agent** means (if and for so long as any Notes are outstanding) a Principal Paying Agent, (if and for so long as any Indexed Notes are outstanding) an Agent Bank, a Paying Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive and if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place) a Paying Agent, as applicable, having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

Governing law

The Agency Agreement and any non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Management Services Agreement

On or before the Issue Date, each AssetCo and the Issuer will appoint CLV (the **Management Services Provider**), on an exclusive basis, to provide corporate, management, transaction management and company secretarial services (the **Management Services**) to each of them in connection with their legal and other obligations pursuant to the Issuer Transaction Documents for the entire term of the Notes, subject to earlier termination should either the Management Services Provider or the AssetCos or the Issuer default under the Management Services Agreement.

The Management Services will consist of:

- (a) the maintenance of accounting records, appointment of auditors, preparation of the management accounts, statutory accounts, VAT returns, tax schedules, corporate books, cash and payment

management, treasury services and such things as may be necessary to ensure appropriate accounting procedures are in force,

- (b) managing the Issuer's involvement in procedures provided for under the Issuer Transaction Documents, managing the AssetCos' involvement in procedures provided for under the AssetCo Documents, liaising as appropriate with the Monitoring Adviser and Issuer and AssetCo Security Trustee and with professional advisers in order to ensure compliance with the contractual obligations of the Issuer and the AssetCos under the Transaction Documents and generally to ensure compliance with applicable law and regulation, and
- (c) to the extent not discharged under the above, the provision of all usual company secretarial and general corporate services.

The Management Services will be provided by the Management Services Provider in accordance with:

- (a) all applicable law and good industry practice,
- (b) the standards which would be expected of a skilled, experienced and competent provider of services similar to the Management Services, and
- (c) the standards (to the extent relevant) expected by the Transaction Documents.

The Management Services Provider will also ensure that it has all the necessary resources and sufficient number of trained staff to provide the Management Services and to discharge its obligations with all reasonable due skill and care.

The Management Services Provider will be paid an annual fee of £100,000 (indexed by reference to RPI) for provision of the Management Services, payable as follows.

- (a) 50% of such amount (the **MSP Fee**) will be paid by the AssetCos by way of withdrawals from each AssetCo's Opex Account (with Single AssetCo responsible for 6.25% of the fee and Multi AssetCo responsible for 43.75% of the fee); and
- (b) the remaining 50% (the **MSP Share**) will be paid on a deferred basis by the Issuer on behalf of the AssetCos (*pro rata* according to their respective On-Loans) in accordance with the Operating Account Priority of Payments.

Pursuant to the terms of the Management Services Agreement, the Management Services Provider shall dedicate appropriately qualified personnel to the performance of its obligations under the Management Services Agreement, it shall have deemed knowledge of the Transaction Documents and shall perform the Management Services so that no Default is caused by its actions or omissions. Further the Management Services Provider shall maintain professional indemnity insurance, and shall protect against TUPE from the Management Services Provider to any of the companies. The Management Services Agreement also includes a prohibition against subcontracting and appropriate obligations of confidentiality and use of project data.

The agreement may be terminated by either the Management Services Provider or by the Issuer or an AssetCo for insolvency related events or material breach. The Issuer and each AssetCo also have the right to terminate the agreement (a) for a failure by the Management Services Provider to maintain professional indemnity or public liability insurance, (b) for any act of bribery on the part of the Management Services Provider and (c) in respect of a particular Property following the termination of the Property Scheme Agreement in respect of that Property.

In addition, following the delivery of an Issuer Enforcement Notice, each AssetCo and the Issuer shall have the ability to terminate the Management Services Provider's appointment and appoint a successor Management Services Provider.

On termination, the Management Services Provider will be entitled to the management fee accrued, less costs incurred by the Issuer or an AssetCo where termination is due to a default of the Management Services Provider. The Management Services Provider's liability under the Management Services Agreement for any one year will not exceed the annual fee for such year.

The Management Services Agreement shall be governed by and construed in accordance with English law.

Tax Deed of Covenant

The obligations of the Issuer Obligors and AssetCos under the Transaction Documents are supported by the Tax Deed of Covenant (**Tax Deed of Covenant**), under which the Subordinated Lenders, the Issuer Obligors and AssetCos make certain representations, warranties and covenants in relation to tax matters for the benefit of the Trustees.

Pursuant to the terms of the Tax Deed of Covenant, each of the Subordinated Lenders, the Issuer Obligors and AssetCos make representations, warranties and covenants in relation to, among other things, the payment of tax by such companies, certain group tax matters, VAT and stamp duty land tax.

The Tax Deed of Covenant shall be governed by and construed in accordance with English law.

DESCRIPTION OF THE ASSETCO DOCUMENTS

The following is a summary of certain provisions of the documents relating to the AssetCo Documents and is qualified in its entirety by reference to the detailed provisions of the relevant documents.

This section describes the **AssetCo Documents** being:

- (a) the On-Loan Agreement;
- (b) each AssetCo Security Document;
- (c) the Property Documents relating to that AssetCo;
- (d) each Subordinated Loan Agreement;
- (e) the DSRA Loan Agreement;
- (f) the House Bank Agreement;
- (g) any other Transaction Document to which an AssetCo is a party; and
- (h) any other document which may be designated an AssetCo Document.

AssetCo Security Documents means:

- (a) each AssetCo Debenture;
- (b) each AssetCo Mortgage; and
- (c) the AssetCo Guarantee.

Security Documents means each Issuer Security Document and each AssetCo Security Document.

On-Loan Agreement

On or before the Issue Date, the Issuer (as lender), will enter into an on-loan agreement with the AssetCos pursuant to which certain proceeds of the Notes will be made available by the Issuer as loans to each AssetCo (the **On-Loan Agreement**).

The loan amount shall be structured so that advances under the On-Loan Agreement correspond to the relevant AssetCo's Relevant Proportion of the principal amount of the Notes to be issued on the Issue Date and so that the economic terms of the advance match the economic terms of the Notes (subject to any adjustment permitted under the terms of the On-Loan Agreement).

Structure

The Issuer will make available the following facilities to each AssetCo in the agreed aggregate principal amount on the Issue Date:

- (a) a committed fixed rate sterling term loan facility (the **Fixed Rate Commitment**); and
- (b) a committed index-linked sterling term loan facility (the **Indexed Commitment** and together with the Fixed Rate Commitment, the **On-Loan Commitment**).

A loan made under the On-Loan Commitment is referred to as an **On-Loan** in respect of each AssetCo. A loan made under the Fixed Rate Commitment is a **Fixed Rate On-Loan**. A loan made under the Indexed Commitment is a **Indexed On-Loan**.

Purpose

Advances under the On-Loan Agreement are permitted to be used by an AssetCo towards:

- (a) the acquisition cost of its Property or Properties (as applicable);
- (b) the initial deposit in the Debt Service Reserve Account;
- (c) funding of the Sinking Fund Required Amount;

- (d) funding of the Opex Account by each AssetCo; and
- (e) any other purpose the Issuer and the AssetCo may agree.

Conditions precedent and initial utilisation

The Issuer is not obliged to make any advances under the On-Loan Agreement unless and until the proceeds of the Notes issued on the Issue Date have been paid to or to the order of the Issuer. Immediately upon payment of the proceeds of the Notes, the AssetCo shall borrow amounts equal to the Fixed Rate Commitments and the Indexed Commitments. Each of the Fixed Rate Commitments and the Indexed Commitments shall be utilised by way of a single advance only.

Repayment

Five Business Days before each Interest Payment Date (each such date, a **Repayment Date**), each AssetCo shall pay sufficient funds to the Issuer:

- (a) in respect of its Fixed Rate On-Loan:
 - (1) by way of interest in respect of its Relevant Proportion of the Fixed Rate On-Loans to enable the Issuer to meet the interest payable in respect of the corresponding Fixed Rate Notes; and
 - (2) by way of principal in respect of its Relevant Proportion of the Fixed Rate On-Loans to enable the Issuer to meet the principal repayable in respect of the corresponding Fixed Rate Notes;
- (b) in respect of its Indexed On-Loan:
 - (1) by way of interest in respect of its Relevant Proportion of the Indexed On-Loans to enable the Issuer to meet the interest payable in respect of the corresponding Indexed Notes; and
 - (2) by way of principal in respect of its Relevant Proportion of the Indexed On-Loans to enable the Issuer to meet the principal repayable in respect of the corresponding Indexed Notes.

The Fixed Rate On-Loans and the Indexed On-Loans shall be repaid in accordance with the relevant Repayment Profile and, in any event, in full by the relevant Final Repayment Date. The AssetCo may not reborrow any part of an On-Loan which is repaid.

Final Repayment Date means the Repayment Date occurring in August 2063.

Prepayment

- (a) *Illegality* — if it becomes unlawful in any applicable jurisdiction for the Issuer to perform any of its obligations contemplated by the On-Loan Agreement or to fund, issue or maintain its participation in Loan, the Issuer shall promptly notify the relevant AssetCo and the AssetCo Security Trustee upon becoming aware of that event, upon the Issuer notifying the relevant AssetCo, the Commitments will be immediately cancelled; and the AssetCo shall be required to prepay its respective On-Loan for value on the Repayment Date occurring after the Issuer has notified the relevant AssetCo or, if earlier, the date specified by the Issuer in the notice delivered to the AssetCo (being no earlier than the last day of any applicable grace period permitted by law).
- (b) *Option* — each AssetCo has the option to prepay, upon at least 10, and not more than 20, Business Days prior written notice to the Issuer, (1) the entire amount of its Fixed Rate On-Loan or its Indexed On-Loan or (2) any part of the Fixed Rate On-Loans then outstanding for value on the Repayment Date specified by the AssetCo together with an amount equal to the amounts payable by the Issuer in respect of the corresponding early redemption of the Corresponding Notes (as such amount shall be determined in accordance with Condition 7.3 (*Optional early redemption*)) and together with accrued interest on the On-Loans (equal to the accrued interest on the Corresponding Notes being so redeemed) and as adjusted for indexation if applicable provided that, in the case of a prepayment of part of an AssetCo's Fixed Rate On-Loan, such prepayment meets the Minimum Partial Prepayment Amount and does not result in the

cumulative amount of the Fixed Rate On-Loans prepaid exceeding the Cumulative Partial Prepayment Limit.

- (c) *Index Event* — upon the occurrence of an Index Event (as defined in Condition 7.4(a) (*Redemption for Index Events*)), each AssetCo may, upon at least 10, and not more than 20 Business Days prior written notice to the Issuer prepay the entire amount of its Indexed On-Loan then outstanding for value on the Repayment Date specified by the Issuer at the principal amount outstanding on that date together with an amount equal to the amounts payable by the Issuer in respect of the Corresponding Notes (as such amount shall be determined in accordance with Condition 7.3 (*Optional early redemption*)) and together with accrued interest on the amount of that Indexed On-Loan (equal to the accrued interest on the Corresponding Notes being so redeemed) and as adjusted for indexation if applicable).
- (d) *Taxation* — if the Issuer satisfies the Issuer Note Trustee that either the Issuer or an AssetCo shall be obliged to make a deduction or withholding of payments as described in Condition 7.4(b) (*Redemption for Taxation Reasons*), the relevant AssetCo may (but shall not be obliged to), after having made reasonable endeavours to mitigate the effect, upon at least 10, and not more than 20, Business Days prior written notice to the Issuer, prepay the entire amount of its On-Loan then outstanding for value on the Repayment Date specified by the Issuer at the principal amount outstanding under that On-Loan on that date together with an amount equal to the amounts payable by the Issuer in respect of the corresponding early redemption of the Corresponding Notes (as such amount shall be determined in accordance with Condition 7.4(b) (*Redemption for Taxation Reasons*)) and together with accrued interest on the amount of that On-Loan (equal to the accrued interest on the Notes being so redeemed) and as adjusted for indexation if applicable.
- (e) *Nottingham Property Scheme Agreement termination* — following termination of the Nottingham Property Scheme Agreement, Single AssetCo shall, in the event that it has not acquired an alternative student accommodation property that meets the Substitution Criteria (as if this alternative property were the Substitute Property and the Nottingham Property were the Replaced Property) within two years of such termination, be obliged to prepay, within five years of the day on which the Nottingham Property Scheme Agreement is terminated, its On-Loan.

Prepayment of all or part of an On-Loan is not permitted in any other circumstances other than as set out in (a) to (e) above. If all or part of an On-Loan is prepaid, all Ongoing Facility Fees shall also accrue and become payable at such time.

Cumulative Partial Prepayment Limit means £30,000,000 of the Fixed Rate On-Loans.

Minimum Partial Prepayment Amount means £10,000,000 of the Fixed Rate On-Loans.

Effect of prepayment

- (a) If an On Loan is, or the On-Loans are, prepaid in full as a consequence of:
 - (1) it becoming unlawful for the Issuer to perform any of its obligations contemplated by the On-Loan Agreement or to fund the On-Loans, the Issuer shall redeem the Notes in whole in accordance with Condition 7.3 (*Optional early redemption*);
 - (2) an AssetCo exercising its option to prepay its On-Loan in full, the Issuer shall redeem Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On Loan Amount as has been prepaid in accordance with Condition 7.3 (*Optional early redemption*);
 - (3) an Index Event (as defined in Condition 7.4(a) (*Redemption for Index Events*)) occurring, the Issuer shall redeem all the Indexed Notes in accordance with Condition 7.4(a) (*Redemption for Index Events*); or
 - (4) an AssetCo electing to prepay its On-Loan in full following that AssetCo becoming obliged to make a deduction or withholding of payments as described in Condition 7.4(b)

(*Redemption for Taxation Reasons*), the Issuer shall redeem all of the affected Class of Notes in accordance with Condition 7.4(b) (*Redemption for Taxation Reasons*).

- (b) If an On Loan is prepaid in part as a consequence of a voluntary prepayment of an AssetCo, such prepayment will be applied in redeeming Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On Loan Agreement at their Redemption Amount in accordance with Condition 7.3 (*Optional early redemption*).
- (c) If an On Loan is prepaid following termination of the Nottingham Property Scheme Agreement,
 - (1) the Issuer shall redeem Fixed Rate Notes in an amount equal to the relevant Allocated On Loan Amount as has been prepaid in accordance with Condition 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*); and
 - (2) following the redemption described in (1) above, the Repayment Profiles applicable to the Fixed Rate On-Loan and the Indexed On-Loan advanced to Multi-AssetCo shall each alter in order to continue to match the cost of funds of the Issuer pursuant to the issue of the Fixed Rate Notes and the cost of funds of the Issuer pursuant to the issue of the Indexed Notes.

Payments in respect of Corresponding Notes

If the Issuer is required to redeem or make payments of interest, principal or other amount in respect of Corresponding Notes pursuant to the Conditions and there is no obligation for an AssetCo to make a corresponding payment under the On-Loan Agreement, the Issuer shall notify the relevant AssetCo (by not more than 15 and not less than 3 Business Days' notice prior to the date upon which such payment is to be made by the Issuer) of the applicable circumstances requiring such payment (in connection with the Corresponding Notes) specifying the date and the amount of such payment to be met by the AssetCo prior to the date on which such payment is to be made by the Issuer and the AssetCo shall prepay an amount which is the lesser of the amount that is:

- (a) equal to the amount due under the Corresponding Notes as specified in such notice to the AssetCo; and
- (b) the Surplus Cash attributable to the AssetCo in the Interest Period in which such payment falls due.

If the Issuer cancels all or some of the Notes in accordance with Condition 7.8 (*Cancellation of purchased or redeemed Notes*) then such cancellation shall be deemed to be a prepayment of the Principal Amount Outstanding under the On-Loan Agreement in the Relevant Proportion which corresponds to such Corresponding Notes which are cancelled together with accrued interest and indexation amounts *provided that* any unpaid Ongoing Facility Fee shall accrue to the date of cancellation of the Corresponding Notes and shall be payable by the relevant AssetCo to the Issuer on such date.

Interest on On-Loans

- (a) The rate of interest applicable to a Fixed Rate On-Loan is the rate of interest which is equal to the cost of funds of the Issuer pursuant to the issue of the Fixed Rate Notes as notified by the Issuer to the relevant AssetCo on the Issue Date. Such rate of interest may be adjusted in circumstances where the amount of interest is insufficient to meet the funding cost payable by the Issuer in respect of the Relevant Proportion of the Corresponding Notes. Such rate of interest may also be adjusted where following redemption of any of the Corresponding Notes prior to their scheduled redemption date, the funding cost of the Issuer in respect of the remaining Corresponding Notes differs from the funding cost of the Issuer in respect of the Corresponding Notes on the Issue Date.
- (b) The rate of interest applicable to an Indexed On-Loan is the rate of interest which is equal to the cost of funds of the Issuer pursuant to the issue of the Indexed Notes as notified by the Issuer to

the relevant AssetCo on the Issue Date. Such rate of interest may be adjusted to reflect indexation in accordance with Condition 6 (*Indexation*).

The Issuer is required to notify an AssetCo of any such interest rate adjustments.

Interest Periods

The first Interest Period is from (and including) the Issue Date to (and excluding) the first Interest Payment Date occurring in August 2014. Each subsequent Interest Period runs from the day succeeding such Interest Payment Date to (and excluding) the next Interest Payment Date. The last Interest Period shall end on the Final Repayment Date.

AssetCo indemnities

Each AssetCo is required to indemnify the Issuer against:

- (a) within 3 Business Days of demand by the Issuer any cost, loss or liability incurred by it as a result of:
 - (1) the occurrence of an AssetCo Event of Default;
 - (2) a failure by the relevant AssetCo to pay any amount due under an AssetCo Finance Document on its due date; or
 - (3) the On-Loans (or any part of an On-Loan) not being prepaid in accordance with a notice of prepayment given by a AssetCo;
- (b) any cost, loss or liability incurred by the Issuer in connection with or arising out of the Property Scheme relating to the Nottingham Property including but not limited to those incurred in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry concerning a Property Scheme) unless caused by the gross negligence or wilful misconduct of the Issuer;
- (c) any claim, loss, cost or expense (including legal fees) or liability whether or not reasonably foreseeable which the Issuer may sustain or incur as a consequence of the occurrence of any default by the relevant AssetCo in the performance of any of the obligations expressed to be assumed by it in the On-Loan Agreement;
- (d) any loss (other than loss caused by reason of gross negligence or wilful default by the Issuer) or loss of profit or cost the Issuer may suffer or incur as a result of the Issuer funding or making arrangements to fund an On-Loan requested by it but not made because of the provisions of the On-Loan Agreement;
- (e) any costs and expenses of any receiver appointed to the Issuer as a result of default by the Issuer caused by a breach of its obligations under its AssetCo Finance Documents;
- (f) any amount payable by the Issuer to the Issuer Secured Creditors pursuant to the Issuer Transaction Documents.

AssetCo Finance Documents means in respect of an AssetCo, collectively, the On-Loan Agreement, the relevant AssetCo Security Documents, the AssetCo Debenture and any other relevant document designated as such by the Issuer and such AssetCo.

Debt Service Reserve Account

On the Issue Date, each AssetCo will pay to the Debt Service Reserve Account its pro rata share of the then Debt Service Reserve Amount and thereafter (to the extent that there are funds available at the relevant level of the Operating Account Priority of Payments) will transfer funds to the Debt Service Reserve Account as are sufficient to maintain its pro rata share of the Debt Service Reserve Amount.

Debt Service Reserve Amount means, with respect to both AssetCos, on each Test Date and the Issue Date:

- (a) 100 per cent. of the Debt Service for the period from (but excluding) the Test Date (or Issue Date if applicable) to (and including) the next Test Date; plus
- (b) 33 per cent. of the Debt Service for the period from (but excluding) that next Test Date to (and including) the following Test Date; plus
- (c) the amount of the Historic DSCR Adjustment (if any); plus
- (d) the amount of any Tax Reserve Cash Amount.

For the purpose of this calculation to the extent a relevant Index Figure is not already determined the Debt Service shall be calculated using the latest value of the Index Figure as if that value were the Index Figure to be applied on the relevant Test Date.

Default Historic DSCR means, as at any Test Date:

- (a) the aggregated Net Cash Flow in respect of both AssetCos for the Historic Test Period ending on such Test Date, which, for the purposes of Default Historic DSCR, Net Cash Flow shall include all equity subscriptions or additional amounts advanced under a Subordinated Loan Agreement to the AssetCos in each case in respect of such Historic Test Period ending on such Test Date (which shall be deemed to include any later cure period); divided by
- (b) the Debt Service for the Historic Test Period ending on such Test Date.

Default Projected DSCR means, as at any Test Date:

- (a) the aggregated Net Cash Flow in respect of both AssetCos projected for the Projected Test Period starting on such Test Date, and, for the purposes of Default Projected DSCR, Net Cash Flow shall include all equity subscriptions or additional amounts advanced under a Subordinated Loan Agreement to the AssetCos in each case in respect of the Historic Test Period ending on such Test Date (which shall be deemed to include any later cure period); divided by
- (b) the Debt Service projected for the Projected Test Period starting on such Test Date.

Debt Service means for any period the sum of any payments of interest on the Notes and any Instalment Amounts falling due in the period.

DSCR Default Event means the Default Historic DSCR or the Default Projected DSCR being less than 1.08:1.

Gross Revenues means, in respect of either AssetCo for any period, the aggregate (without double counting) of all sums of a revenue or income nature (in each case determined on an actual receipts basis), received by such AssetCo including:

- (a) all rental payments received by such AssetCo and any other amounts received by the AssetCo such as vacation income and commercial income;
- (b) insurance proceeds in respect of advance loss of profits or business interruption insurance to the extent that the same are credited to the Opex Account;
- (c) (1) interest in respect of monies standing to the credit of the AssetCo Accounts when credited to such AssetCo Accounts (other than the Reserve Accounts) and (2) in respect of each Issuer Account (other than the Distribution Account), an amount equal to its proportionate share of the interest in respect of monies standing to the credit of such Issuer Accounts when credited to the relevant Issuer Account in proportion to the balance of such Issuer Account which is solely attributable to the relevant AssetCo;
- (d) all refunds of Tax of any kind (including VAT); and
- (e) all sums in respect of apportionments of rent or otherwise in connection with the acquisition of the Properties received by such AssetCo from the Opal Administrators.

Historic DSCR means, as at any Test Date:

- (a) the aggregated Net Cash Flow in respect of both AssetCos for the Historic Test Period ending on such Test Date; divided by
- (b) the Debt Service for the Historic Test Period ending on such Test Date.

Historic DSCR Annualised Shortfall means zero at the Issue Date and, at any Test Date:

- (a) the Lock-Up Ratio applicable to that Test Date multiplied by the Debt Service for the Historic Test Period ending on such Test Date; minus
- (b) the aggregated Net Cash Flow in respect of both AssetCos for the Historic Test Period ending on such Test Date;

subject to a minimum of zero.

Historic DSCR Adjustment is an amount equal to the Historic DSCR Annualised Shortfall multiplied by the number of years (including fractions of a year) between the Test Date to which the Historic DSCR Annualised Shortfall relates and the Final Maturity Date.

Lock-Up Ratio means, at any Test Date, the ratio set out opposite the period containing the Test Date below:

<i>Year (inclusive)</i>	
2014-2029	1.35:1
2030-2039	1.45:1
2039-2044	1.475:1
2044-2063	1.50:1

Net Cash Flow means in respect of either AssetCo, the net operating cash flow available after Tax, attributable to any period and determined as the Gross Revenues of such AssetCo minus:

- (a) refunds of VAT which the AssetCo is obliged to pay to its customers or clients;
- (b) Property Expenditure arising during such period (other than expenditure paid during such period and funded from insurance proceeds save in respect of advance loss of profits or business interruption proceeds);
- (c) excluding any transfers made on the Issue Date, net transfers to the Sinking Fund Account made for such period (whether such figure is positive or negative) to fund lifecycle maintenance costs under the Annual Lifecycle Budget and in order to maintain the Sinking Fund Required Amount; and
- (d) excluding any transfers made on the Issue Date, net transfers to the Debt Service Reserve Account made for such period (whether such figure is positive or negative) to fund the Debt Service Reserve Amount (excluding any transfers relating to the Tax Reserve Cash Amount and any transfers relating to the Historic DSCR Adjustment); and
- (e) any amount received by the Issuer or AssetCo by way of:
 - (1) payment for a surrender of group relief under Part 5 of the Corporation Tax Act 2010;
 - (2) of a Relevant Election (as is defined in the Tax Deed of Covenant); or
 - (3) balancing payment as described in Chapter 5 of Part 4 of the Taxation (International and Other Provisions) Act 2010.

Provided that for the purpose of calculating any forward-looking ratio:

- (a) the forecast rates of inflation will be no more than the rates determined:
 - (1) in respect of the first 5 years after the relevant date on which the Net Cash Flow is stated to be calculated, the rate published by The Office of Budget Responsibility (or any successor or equivalent body) for each such year; and

- (2) in respect of any period thereafter, by an average rate derived by averaging the rates published by the Bank of England for 10 year and 20 year inflation zero coupon rates (or, in the event that such data is not published, any equivalent published data that most closely represents a break even inflation rate) or such other recognised source as may be agreed by the Issuer.
- (b) Gross Revenues shall be determined on the basis of knowledge, fair estimates and assumptions as at the most recent Test Date after due and careful consideration and having made all reasonable enquiries to ascertain the information required to produce the projections, such projections being honestly held and believed by the Issuer Obligors and the AssetCos.

Projected DSCR means, as at any Test Date:

- (a) the aggregated Net Cash Flow in respect of both AssetCos projected for the Projected Test Period starting on such Test Date; divided by
- (b) the Debt Service projected for the Projected Test Period starting on such Test Date.

Property Expenditure means in respect of any AssetCo, the following costs, expenses and fees from time to time incurred by such AssetCo (without double counting):

- (a) in respect of Single AssetCo only, rent and other sums payable to the University of Nottingham under its headlease in respect of the Nottingham Property and the Nottingham Property Scheme Agreement;
- (b) in respect of Multi AssetCo only, rent and other sums payable in respect of a Property under any applicable Property Documents;
- (c) in respect of any lifecycle maintenance costs;
- (d) in respect of any insurance *premia*;
- (e) to the Management Services Provider by way of MSP Fee in accordance with the Management Services Agreement and such other amounts in respect of administering such AssetCo and its business including staff costs (if applicable), fees and expenses of consultants, directors, advisers, managing or letting agents and marketing costs (if any) to the extent that such costs are incurred in the ordinary course of business and on arm's length terms and the fees and expenses paid or payable (without double counting) by such AssetCo under the On-Loan Agreement (to the extent not included within the amounts in the nature of interest payable under the On-Loan Agreement);
- (f) amounts payable to the O&M Provider by way of Relevant Property O&M Fees in accordance with the O&M Contract and the applicable Operating Budget; and
- (g) Taxes (including VAT but excluding Taxes on profits or gains of a capital nature).

Tax Reserve Cash Amount means, subject to a minimum of zero, the Tax Reserve Amount less the amount of any **Letters of Credit**, being valid binding and enforceable letters of credit procured by the Issuer and issued in favour of the Issuer Security Trustee by a bank that meets the Minimum Permitted Bank Ratings.

Tax Reserve Amount means zero at the Issue Date and at any Test Date the lower of:

- (a) the Tax Reserve Required Amount; and
- (b) the Tax Reserve Year Amount plus the Tax Reserve Amount at the previous Test Date.

Tax Reserve Year Amount means zero or, upon a Tax Reserve Trigger Event, an amount equal to the Tax Reserve Required Amount (less the Tax Reserve Amount at the previous Test Date) divided by the number of full years remaining in the relevant Tax Reserve Period.

Tax Reserve Required Amount means, as at any Test Date, the amount set out below for the **Tax Reserve Period** containing the relevant Test Date:

<i>Tax Reserve Period (inclusive)</i>	
2014-2025	£3,000,000
2026-2030	£1,500,000
2031-2044	Nil

Tax Reserve Trigger Event will occur where Historic DSCR or Projected DSCR is less than 1.55:1 on any Test Date.

Equity payments

Any Distribution or dividend payment made by an AssetCo to the Issuer may only be made if (to the extent that there are funds available at the relevant level of the Operating Account Priority of Payments):

- (a) the balance standing to the credit of the Debt Service Reserve Account is greater than or equal to the Debt Service Reserve Amount; and
- (b) the balance standing to the credit of each Sinking Fund Account is greater than or equal to the Sinking Fund Required Amount for each Sinking Fund Account as determined in accordance with the On-Loan Agreement as approved by the Monitoring Adviser.

Substitution of a Property

Under the On-Loan Agreement, the AssetCos will, during a Substitution Availability Period, be entitled to substitute a Property (any such Property being the **Replaced Property**) for another student accommodation property (the **Substitute Property**) provided that:

- (a) such Substitute Property meets the Substitution Criteria;
- (b) that AssetCo certifies that the Substitution Criteria have been met and supplies all supporting reports and calculations to the Issuer Note Trustee, Issuer Security Trustee and Monitoring Adviser;
- (c) the AssetCos meet the reasonable costs (as determined by such Noteholders holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Notes) of the Noteholders incurred in their (1) review of the satisfaction of the Substitution Criteria and (2) completion of reasonable due diligence in respect of the Substitute Property. Such costs shall be paid to the Noteholders pro-rata according to their holding of the aggregate Principal Amount Outstanding of the Notes; and
- (d) (save in relation to a proposed substitution by Single AssetCo following an early termination of the Nottingham Property Scheme) Single AssetCo has not substituted a Property in the period of five years prior to the intended substitution; and
- (e) the Issuer Security Trustee has received votes from Noteholders representing more than 50 per cent. of the then Principal Amount Outstanding of the Notes.

A Substitution Availability Period is:

- (a) that period commencing on the Test Date on which the Historic DSCR is equal to or less than 1.1 × the Lock-Up Ratio (the **Substitution Trigger Ratio**) and ending on that Test Date on which the Historic DSCR exceeds the Substitution Trigger Ratio; and
- (b) in relation to Single AssetCo only, that period commencing on the date of termination of the Nottingham Property Scheme and ending on the second anniversary thereof.

For any substitution, the Substitution Criteria must be satisfied, as they may be certified by the relevant AssetCo to the Issuer and to the AssetCo Security Trustee. The **Substitution Criteria** are as follows:

- (a) the net rental income (calculated in a manner consistent with that in the Valuation Reports) of the Substitute Property (the **Substitute Net Income**) is at least 5 per cent. greater than that of the

Replaced Property (the **Replaced Net Income**) both calculated as the averages of the three past years or, if these averages are not available, the projected averages of the subsequent three years as detailed in the Valuation Reports;

- (b) the market value (calculated in a manner consistent with that in the Valuation Reports) of the Substitute Property (calculated by an Approved Valuer) is at least 5 per cent. greater than the then market value of the Replaced Property;
- (c) the relevant AssetCo acquires a freehold interest in the Substitute Property or, if it has a leasehold interest in the Replaced Property, a leasehold interest in the Substitute Property that is at least as long as the leasehold interest in the Replaced Property;
- (d) the projected lifecycle costs of the Substitute Property (as projected by an Approved Valuer) for the period following the substitution until the Final Maturity Date as a percentage of the Substitute Net Income is equal to or less than the projected lifecycle costs of the Replaced Property (as projected by that same Approved Valuer) for that same period as a percentage of the Replaced Net Income; and
- (e) a demand study relating to the Substitute Property is produced by an appropriately qualified party.

Following any substitution, the term Properties shall be deemed to include each Substitute Property in place of its corresponding Replaced Property.

Addition of a Property

Under the On-Loan Agreement, the AssetCos will, at any time, be permitted to add an additional student accommodation property (any such Property being the **Additional Property**), provided that:

- (a) such Additional Property meets the Addition Criterion; and
- (b) the Issuer Security Trustee has received votes from Noteholders representing at least 50 per cent. of the then Principal Amount Outstanding of the Notes.

The **Addition Criterion** is that the net rental income (calculated in a manner consistent with that in the Valuation Reports) of the Addition Property has been positive for each of the three past years.

Following any addition, the term Properties shall be deemed to include each Additional Property.

AssetCo representations and warranties

The On-Loan Agreement incorporates the representations and warranties of the AssetCos set out in the Common Terms Agreement as summarised in the section entitled *Description of the Issuer Transaction Documents — Representations and warranties — Representations and warranties by the AssetCos*.

AssetCo covenants

Each AssetCo will also undertake to the AssetCo Security Trustee and the Issuer for so long as any amount is outstanding under the AssetCo Finance Documents the covenants of the AssetCos as set out in the Common Terms Agreement and as summarised in the sections entitled *Description of the Issuer Transaction Documents — Covenants — AssetCo positive covenants* and *AssetCo negative covenants*.

AssetCo Events of Default

Each AssetCo Event of Default is set out in the Common Terms Agreement and as summarised in the section entitled *Description of the Issuer Transaction Documents — Events of Default — AssetCo Events of Default*.

Upon and at any time following the occurrence of an AssetCo Event of Default which is continuing, the AssetCo Security Trustee may (and upon instruction by the Issuer, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, shall) by notice to the relevant AssetCo:

- (a) immediately cancel the Commitments;

- (b) declare all or part of the On-Loans (together with accrued interest and all other amounts accrued or outstanding under the AssetCo Finance Documents) immediately due and payable;
- (c) declare that all or part of the On-Loans be immediately payable on demand; and
- (d) exercise all rights, remedies, powers or discretions under the AssetCo Finance Documents.

Any amounts payable upon an acceleration shall equal the principal amount of the Relevant Proportion of the Corresponding Notes determined in accordance with Condition 7 (*Redemption, purchase and cancellation*) and Condition 10 (*Issuer Events of Default and Enforcement Notice*) together with any other amounts (including, without double counting, accrued interest) due in connection with the redemption of such Relevant Proportion of the Corresponding Notes.

Obligation to notify the Issuer and the AssetCo Security Trustee

Each AssetCo will notify the Issuer and the AssetCo Security Trustee of any AssetCo Default (and the steps, if any, being taken to remedy it) in respect of the On-Loan Agreement promptly upon becoming aware of the same. The Issuer will also notify the AssetCo Security Trustee of any AssetCo Default promptly upon becoming aware of the same (unless the Issuer is aware that a notification has already been provided by such AssetCo) including, but not limited to, the non-payment by an AssetCo of any amounts owing to the Issuer under the On-Loan Agreement on the due date for payment thereof.

Governing law

The On-Loan Agreement, and any non-contractual or other obligations arising out of or in connection with it will be governed by English law.

Subordinated Loan Agreements

Each of Campus Living Villages (Portfolio Finance) UK Limited and Summer Project Finance S.a.r.l. (together, the **Subordinated Lenders** and each a **Subordinated Lender**) and the AssetCos will enter into subordinated loan agreements (each a **Subordinated Loan Agreement**) as follows:

- (a) Campus Living Village (Portfolio Finance) UK Limited will advance a subordinated loan of £25,190,140 to Multi AssetCo;
- (b) Campus Living Villages (Portfolio Finance) UK Limited will advance a subordinated loan of £3,578,017 to Single AssetCo;
- (c) Summer Project Finance S.a.r.l will advance a subordinated loan of £25,190,140 to Multi AssetCo; and
- (d) Summer Project Finance S.a.r.l will advance a subordinated loan of £3,578,017 to Single AssetCo.

Each subordinated loan (a **Subordinated Loan**) will be made by way of a single advance on or before the Issue Date which will (together with the proceeds of the On-Loans from the Issuer) provide the AssetCos with sufficient funds to purchase their Property or Properties (as applicable) and Supplementary Assets and fund the initial balance of the Debt Service Reserve Account, each Sinking Fund Account and each Opex Account. and (together with the other amounts received by the AssetCo) each Sinking Fund Account (save to the extent funded by way of a direct payment from the Opal Administrator after the Issue Date) and a proportion of the required Budgeted Operating Expenditure in each Opex Account.

Pursuant to the terms of the Nottingham Property Scheme, Single AssetCo has procured a committed £500,000 limited purpose standby facility (the **MRA Standby Facility**) from Campus Living Villages (Portfolio Finance) UK Limited on the following terms:

- (a) Single AssetCo may draw upon the MRA Standby Facility at any time until the fifth (5th) anniversary of the Issue Date and any undrawn commitment under the MRA Standby Facility as at such fifth (5th) anniversary shall be cancelled automatically;

- (b) Any drawings under the MRA Standby Facility shall be made on the same terms as each Subordinated Loan under the Subordinated Loan Agreement between Campus Living Villages (Portfolio Finance) UK Limited and Single AssetCo, save that the Subordinated Lenders have agreed, as between themselves, that any amounts available for the repayment of the Subordinated Loans in accordance with the Operating Account Priority of Payments shall be applied in repayment of the MRA Standby Facility in priority to any other amounts outstanding under the Subordinated Loan Agreements.
- (c) Single AssetCo may not request an advance under the MRA Standby Facility unless it delivers an original demand notice received by Single AssetCo from the University of Nottingham.
- (d) Any amount drawn by Single AssetCo under the MRA Standby Facility shall be paid directly into the Sinking Fund Account maintained by Single AssetCo.

The Subordinated Lenders may from time to time agree to advance further amounts to the AssetCos under the Subordinated Loan Agreements. Any such further advances will be made as further loans under the Subordinated Loan Agreements, or on such other terms as may be agreed between the relevant AssetCo and the Subordinated Lenders. All loans made available to the AssetCos by the Subordinated Lenders shall be unsecured (save to the extent of any future Permitted Security Interests) and each AssetCo's obligations in respect of such Subordinated Loans shall rank behind, and be subordinated to, such AssetCo's obligations under its On-Loan Agreement and AssetCo Security Documents.

Principal and interest shall be paid by the AssetCos to the Subordinated Lender to the extent that there are available funds to pay them in accordance with, the Operating Account Priority of Payments and such principal and interest shall only be due and payable to the extent of those available funds and to the extent that such funds are not sufficient to make payments in respect of such principal and interest, the unpaid principal and interest shall not be due or payable and shall be deferred.

The initial proceeds of the Subordinated Loans may only be used towards the purchase of the Property Portfolio and Supplementary Assets or be credited to the Debt Service Reserve Account, a Sinking Fund Account, a Collection Account and/or an Opex Account.

The Subordinated Lenders agree to subordinate their claims on the AssetCos to any and all other claims of the AssetCo Secured Creditors.

Fees

On the Issue Date, each AssetCo shall pay an arrangement fee in respect of each Subordinated Loan as follows:

- (a) Multi AssetCo will pay £125,951 to Campus Living Villages (Portfolio Finance) UK Limited (or as it shall direct);
- (b) Single AssetCo will pay £17,890 to Campus Living Villages (Portfolio Finance) UK Limited (or as it shall direct);
- (c) Multi AssetCo will pay £125,951 to Arlington Investors Limited (or as it shall direct); and
- (d) Single AssetCo will pay £17,890 to Arlington Investors Limited (or as it shall direct).

In addition, each AssetCo shall pay a separate development fee to each of CLV and Arlington Investors Limited on the Issue Date as follows:

- (a) Multi AssetCo will pay £1,135,200 to CLV (or as it shall direct);
- (b) Single AssetCo will pay £184,800 to CLV (or as it shall direct);
- (c) Multi AssetCo will pay £756,800 to Arlington Investors Limited (or as it shall direct); and
- (d) Single AssetCo will pay £123,200 to Arlington Investors Limited (or as it shall direct).

Each of the fees described above shall be paid by each AssetCo pursuant to the fees letters to be executed by AssetCo on or about the Issue Date. The Subordinated Loan Agreements, and any non-contractual obligations or matters arising from or connected with it, will be governed by, and construed in accordance with, English law.

House Bank Agreement

House Bank

Each of the AssetCos will appoint Barclays Bank PLC (the **House Bank**), acting through its specified office at 2nd Floor, 1 St. Paul's Place, 121 Norfolk Street, Sheffield, South Yorkshire S1 2JW to act as House Bank pursuant to a House Bank Agreement dated on or before the Issue Date to provide certain services to the AssetCos.

The House Bank shall be an entity whose long-term debt is rated at least A- by S&P or A3 by Moody's (or as approved by the AssetCo Security Trustee) (such ratings being the **Minimum Permitted Bank Ratings**).

The appointment of the House Bank shall be terminated in the event that the long-term debt rating of such House Bank granted by Moody's or S&P falls below the relevant Minimum Permitted Bank Rating or is withdrawn, whereupon the AssetCos covenant to, within 60 days of such downgrade or withdrawal, terminate the appointment of the House Bank and appoint a replacement House Bank.

Each AssetCo will open and shall maintain with the House Bank the Rent Collection Accounts and the Opex Accounts as indicated in *Cash management and Priority of Payments* above.

Prior to the delivery of an AssetCo Enforcement Notice or an Issuer Enforcement Notice, the House Bank shall act on the instructions of the Cash Administrator.

AssetCo Debenture

Each AssetCo will, on or before the Issue Date, enter into a debenture (each an **AssetCo Debenture**) with, among others, the AssetCo Security Trustee (for itself and on behalf of the other AssetCo Secured Creditors). Pursuant to its AssetCo Debenture, the relevant AssetCo will secure the **AssetCo Secured Liabilities** (being all present and future obligations and liabilities (whether actual or contingent) of each AssetCo to any AssetCo Secured Creditor under each AssetCo Document to which it is a party) by granting in favour of the AssetCo Security Trustee, for itself and on behalf of the other AssetCo Secured Creditors, the following Security:

- (a) a first fixed charge of:
 - (1) its real property (including its Properties);
 - (2) its tangible moveable property;
 - (3) the benefit of its AssetCo Accounts (excluding the Reserve Accounts);
 - (4) its insurance policies;
 - (5) its monetary claims including all Related Rights; and
 - (6) its benefit in any Authorised Investments;
- (b) an assignment by way of security of:
 - (1) the benefit of (severally) any agreements, contracts, deeds, undertakings, guarantees, warranties or other documents entered into by or given to or to be entered into or to be given to it at any time in respect of its real property and all documents in existence at the date of its AssetCo Debenture or thereafter necessary to enable the AssetCo Security Trustee (for itself and on behalf of the other AssetCo Secured Creditors) to perfect the same and all the proceeds of any payment of any claims, awards or judgments paid or payable to it under or in respect of the same (including but without limitation all liquidated and ascertained

damages payable to it under such document) and all its rights or remedies already in existence or thereafter arising under such document;

- (2) the benefit of its Assigned Agreements and all the proceeds of any payment of any claims, awards, judgments, sums or damages arising out of such agreements payable to it thereunder and all its rights or remedies in existence at the date of the AssetCo Debenture or thereafter in existence arising thereunder;
 - (3) the benefit of all tenant covenants, and of all landlord covenants and of all covenants, agreements, undertakings or obligations entered into or to be entered into by any other party to any of its Assigned Agreements or to any licences, deeds, rent deposit agreements, or other deeds or documents supplemental or collateral to any lease and of all guarantees or indemnities in any of the aforesaid;
 - (4) the benefit of all rights and claims to which it is at the date of the AssetCo Debenture or may thereafter become entitled in relation to its real property (including those against all persons who at the date of its AssetCo Debenture or may at any time be in occupation of its real property under any of its Assigned Agreements and all guarantors and sureties for the obligations of such persons);
 - (5) the benefit of all guarantees, warranties and representations given or made at the date of its AssetCo Debenture or thereafter by, and any rights or remedies against, all or any of the designers, builders, contractors, professional advisers, sub-contractors, manufacturers, suppliers and installers of any fixtures including, without limitation, any such guarantees, warranties and representations given pursuant to or in connection with its Assigned Agreements;
 - (6) all rights to which it is at the date of its AssetCo Debenture or may thereafter become entitled in respect of the proceeds of any order of the court made pursuant to Sections 238(3), 239(3) or 244 of the Insolvency Act;
 - (7) all rights and claims in relation to its Assigned Accounts and the proceeds of such Assigned Accounts;
 - (8) all chattels on its real property now or at any time hereafter hired, leased or rented by it to any other person together in each case with the benefit of the related hiring, leasing or rental contract and any guarantee, indemnity or other security for the performance of the obligations of any person under or in respect of such contract; and
 - (9) the benefit of all present and future licences held in connection with the business carried on upon its real property or any part thereof and also the right to recover and receive all compensation which may at any time become payable to it under the Licensing Act 1964; and
- (c) a first floating charge, over all its present and future assets and undertakings (including, without limitation, the Reserve Accounts).

AssetCo Security means the Security created pursuant to the AssetCo Security Documents.

The **AssetCo Secured Creditors** means:

- (a) the Issuer;
- (b) the AssetCo Security Trustee (for itself and for and on behalf of the other AssetCo Secured Creditors);
- (c) the Cash Administrator;
- (d) the Account Bank;
- (e) the House Bank;

- (f) the Management Services Provider;
- (g) the O&M Provider;
- (h) the Custodian;
- (i) the Subordinated Lenders; and
- (j) such other creditor who accedes to an AssetCo Debenture from time to time in accordance with the terms thereof and is designated an AssetCo Secured Creditor.

See *The Property Portfolio and Valuation Reports* for further information in relation to the Properties.

Trust

Subject to and in accordance with the terms of each AssetCo Debenture, the AssetCo Security will be held on trust by the AssetCo Security Trustee for itself and on behalf of the other AssetCo Secured Creditors.

No independent action against an AssetCo

No AssetCo Secured Creditor nor any person acting on its behalf (other than the AssetCo Security Trustee or a Receiver (including an administrative receiver) appointed by the AssetCo Security Trustee) is entitled to take any action against the relevant AssetCo or against any assets of the relevant AssetCo to enforce its rights in respect of the AssetCo Documents unless the AssetCo Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

Direction by Issuer Security Trustee

When exercising its rights or discretions in accordance with the relevant AssetCo Security Document, the AssetCo Security Trustee shall only act in accordance with any instructions from the Issuer Security Trustee.

Non petition against an AssetCo

No AssetCo Secured Creditor nor any person acting on its behalf (other than the AssetCo Security Trustee or a Receiver (including an administrative receiver) appointed by the AssetCo Security Trustee) shall have any right to:

- (a) take or initiate any proceedings or steps against the relevant AssetCo to enforce the AssetCo Security Documents including without limitation by way of attachment, execution or diligence;
- (b) take or join any person in taking steps against the relevant AssetCo for the purposes of obtaining payment of any amount due whatsoever from the relevant AssetCo to such AssetCo Secured Creditor, including the appointment of a Receiver (including an administrative receiver appointed by the AssetCo Security Trustee), provided that nothing shall prevent an AssetCo Secured Creditor from proving for the full amount owed to it by the relevant AssetCo in the liquidation of the relevant AssetCo, or
- (c) initiate or join any person in initiating howsoever an Insolvency Event in relation to the relevant AssetCo.

Enforcement of Security

The Security created by or pursuant to the AssetCo Debentures is immediately enforceable at any time after:

- (a) the delivery of an AssetCo Enforcement Notice in respect of the relevant AssetCo (which may only be delivered in respect of an AssetCo Event of Default that is continuing) that has not been withdrawn; or
- (b) the presentation of a petition or an application for the making of an administration order in relation to the relevant AssetCo; or

- (c) written notice of intention to appoint an administrator of the relevant AssetCo or the filing of such a notice with the court, in each case, from any person who is entitled to do so.

AssetCo Enforcement Notice means a notice referred to as such in an AssetCo Debenture delivered by the AssetCo Security Trustee to an AssetCo pursuant to that AssetCo Debenture.

Operation after delivery of an AssetCo Enforcement Notice

After the delivery of an AssetCo Enforcement Notice in respect of the relevant AssetCo (which has not been withdrawn):

- (a) the relevant AssetCo shall not be entitled to receive, withdraw or otherwise instruct the transfer any credit balance from time to time on its Accounts (other than the Reserve Accounts) except with the prior written consent of the AssetCo Security Trustee;
- (b) the AssetCo Security Trustee shall be entitled without notice to apply, transfer or set off any or all of the credit balances from time to time on the relevant Accounts (other than the Reserve Accounts) in or towards the payment or other satisfaction of all or part of the relevant AssetCo's Secured Liabilities in accordance with Clause 17 (*Application of Monies*) of the relevant AssetCo Debenture;
- (c) the relevant AssetCo shall not, except with the prior written consent of the AssetCo Security Trustee, be entitled to withdraw or otherwise transfer the proceeds of the realisation of any of its Monetary Claims standing to the credit of its Insurance Proceeds Account; and
- (d) the relevant AssetCo shall hold such monies upon trust for the AssetCo Security Trustee pending payment to the AssetCo Security Trustee for application in accordance with Clause 17 (*Application of Monies*) of its AssetCo Debenture and such AssetCo waives any right it may have to require that any such monies are applied in reinstatement of any part of its assets that are subject to the AssetCo Security.

Application of Monies

All monies received or recovered by the AssetCo Security Trustee or any Receiver pursuant to the exercise of any power under an AssetCo Debenture and each AssetCo Mortgage or the powers conferred by it shall (subject to the claims of any person having prior rights thereto and by way of variation of the provisions of the Law of Property Act 1925)) be applied in accordance with Clause 17 (*Application of Monies*) of the relevant AssetCo Debenture.

Continuing Security

The Security created by or pursuant to each AssetCo Debenture and any AssetCo Mortgage shall remain in full force and effect as a continuing Security for the relevant AssetCo Secured Liabilities unless and until discharged by the AssetCo Security Trustee.

Liability

None of the AssetCo Security Trustee, its nominee(s) or any Receiver shall be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the AssetCo Debentures or any other Transaction Document except in the case of gross negligence or wilful default upon its part.

Waiver of defences

The obligations assumed, and the Security created, by the relevant AssetCo under its AssetCo Debenture and any relevant AssetCo Mortgage, and the relevant collateral rights, will not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations under, or the Security created by, its AssetCo Debenture and any AssetCo Mortgage (without limitation and whether or not known to the relevant AssetCo or any AssetCo Secured Creditor) including:

- (a) any time, waiver or consent granted to, or composition with any person;

- (b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (c) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (d) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatever nature, and whether or not more onerous) or replacement of an AssetCo Document or any other document or Security or of the AssetCo Secured Liabilities;
- (e) any unenforceability, illegality or invalidity of any obligation of any person under any AssetCo Document or any other document or Security or of the AssetCo Secured Liabilities; and
- (f) any Insolvency Event.

Redemption of Security

Upon the AssetCo Secured Liabilities being discharged in full and the AssetCo Security Trustee having no further actual or contingent obligation under any of the AssetCo Documents the AssetCo Security Trustee shall, at the request and cost of each AssetCo, release and cancel the Security constituted by each AssetCo Debenture and procure the reassignment to the relevant AssetCo of the property and assets assigned to the AssetCo Security Trustee pursuant to its AssetCo Debenture, in each case subject to Clause 21.2 (*Avoidance of Payments*) of each AssetCo Debenture and without recourse to, or any representation or warranty by, the AssetCo Security Trustee or any of its nominees.

Governing Law

Each AssetCo Debenture and any non-contractual or other obligations arising out of or in connection with it will be governed by English law.

AssetCo Mortgage

Each AssetCo will enter into a first legal mortgage (each an **AssetCo Mortgage**) in respect of any land in England and Wales vested in it on the Issue Date or thereafter. Each AssetCo Mortgage is supplemental to the relevant AssetCo Debenture of the relevant AssetCo and incorporates the majority of terms of such AssetCo Debenture.

Pursuant to its AssetCo Mortgage, the relevant AssetCo will secure its obligations in respect of its AssetCo Secured Liabilities by charging with full title guarantee in favour of the AssetCo Security Trustee, for itself and on behalf of the other AssetCo Secured Creditors, by way of the legal mortgage the property specified in the schedule to its AssetCo Mortgage and any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of such property and all of its Related Rights (the **Mortgaged Property**).

Application to Land Registry

Pursuant to its AssetCo Mortgage, the relevant AssetCo will be making an application to the Land Registry to enter a restriction (in the form set out in its AssetCo Mortgage) in the Proprietorship register of any property which is or is required to be registered forming part of the Mortgaged Property.

Redemption of Security

Upon the AssetCo Secured Liabilities being discharged in full and the Issuer and the AssetCo Security Trustee having no further actual or contingent obligation to make advances or provide other financial accommodation to the relevant AssetCo, the AssetCo Security Trustee shall, at the request and cost of the relevant AssetCo, release and cancel the Security constituted by the relevant AssetCo Mortgage subject to Clause 4.2 (*Avoidance of Payments*) of the relevant AssetCo Mortgage and without recourse to, or any representation or warranty by, the AssetCo Security Trustee or any of its nominees.

Governing Law

Each AssetCo Mortgage and any non-contractual or other obligations arising out of or in connection with it will be governed by English law.

AssetCo Guarantee

On or before the Issue Date, each AssetCo (each, an **AssetCo Guarantor**) and the AssetCo Security Trustee will enter into the AssetCo Guarantee for the purposes of guaranteeing the **Guaranteed Obligations**, being all money and liabilities due, owing or incurred to the AssetCo Security Trustee (whether for its own account or as security trustee for the other AssetCo Secured Creditors) or any of the other AssetCo Secured Creditors by any AssetCo Guarantor under the AssetCo Documents (or any of them) and under the AssetCo Guarantee in whatsoever manner in any currency or currencies whether present or future, actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety together with all interest accruing on such moneys and liabilities and all costs, charges and expenses incurred by an AssetCo Guarantor to the AssetCo Security Trustee (whether for its own account or as security trustee for the other AssetCo Secured Creditors) or any of the other AssetCo Secured Creditors under any AssetCo Document.

AssetCo Guarantor liability and recourse

Subject to the limited recourse provision set out in the AssetCo Guarantee, each AssetCo Guarantor irrevocably and unconditionally, joint and severally with each other AssetCo Guarantor:

- (a) guarantees to the AssetCo Security Trustee due and punctual performance by each other AssetCo Guarantor of the Guaranteed Obligations;
- (b) undertakes with the AssetCo Security Trustee that when another AssetCo Guarantor does not pay any amount when due under or in connection with any AssetCo Document, that AssetCo Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with the AssetCo Security Trustee that it will be liable as a principal debtor and primary obligor to indemnify the AssetCo Security Trustee against any cost, loss or liability it incurs as a result of a AssetCo Guarantor not performing or discharging any of its obligations or liabilities in respect of the guaranteed obligations.

The guarantee of each AssetCo shall be limited in recourse to the AssetCo Guarantor's Surplus Cash.

Continuing guarantee

The AssetCo Guarantee is a continuing guarantee and will extend to the ultimate balance of the Guaranteed Obligations, regardless of any intermediate payment or discharge in whole or part.

Reinstatement

If the AssetCo Guarantee is discharged or released or there is an arrangement made by the AssetCo Security Trustee on the faith of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each AssetCo Guarantor under the AssetCo Guarantee will continue or be reinstated as if such discharge, release or arrangement had not occurred.

Waiver of guarantor defences

Each AssetCo Guarantor will agree in the AssetCo Guarantee to the waiver of certain defences in relation to its obligation to make payments thereunder and agree that the AssetCo Guarantee shall extend to any (however fundamental) variation, increase, extension or addition of or to any AssetCo Documents and/or Issuer Transaction Documents.

AssetCo Guarantor payments

All payments to be made by a AssetCo Guarantor under the AssetCo Guarantee shall be made in accordance with the Common Terms Agreement as summarised in the section entitled *Description of*

the Issuer Transaction Documents — Common Terms Agreement — Cash management and Priority of Payments.

Rights against other AssetCo Guarantor

Until all amounts which may be or become payable by the AssetCo Guarantor under or in connection with the AssetCo Documents have been irrevocably paid in full and unless the AssetCo Security Trustee otherwise directs, each AssetCo Guarantor will be prohibited from exercising any rights which it may have by reason of performance by it of its obligations under the AssetCo Documents or by reason of any amount being payable, or liability arising, under the AssetCo Guarantee:

- (a) to be indemnified by another AssetCo Guarantor,
- (b) to claim any contribution from the other AssetCo Guarantor of the other AssetCo Guarantor's obligations under the AssetCo Documents,
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the AssetCo Security Trustee under the AssetCo Documents or of any other guarantee or Security taken pursuant to, or in connection with, the AssetCo Documents by the AssetCo Security Trustee,
- (d) to bring legal or other proceedings for an order requiring the other AssetCo Guarantor to make any payment, or perform any obligation, in respect of which any AssetCo Guarantor has given a guarantee, undertaking or indemnity under the AssetCo Guarantee,
- (e) to exercise any right of set-off against the other AssetCo Guarantor; and/or
- (f) to claim or prove as a creditor of the other AssetCo Guarantor in competition with the AssetCo Security Trustee.

Governing law

The AssetCo Guarantee and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

SUMMARY OF SECURITY AND ENFORCEMENT RIGHTS

The following summary is intended to provide an overview of the security and enforcement rights and is qualified by the more detailed descriptions of the Transaction Documents set out in the section entitled Description of the Issuer Transaction Documents and the section entitled Description of the AssetCo Documents.

Security

Issuer Security

The Issuer Security Trustee will hold the following security for and on behalf of the Noteholders and the other Issuer Secured Creditors:

- (a) the Security granted by the Issuer in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge including:
 - (1) assignments by way of security of all Transaction Documents;
 - (2) assignment of all receivables of the Issuer;
 - (3) an account charge in respect of all accounts held by the Issuer;
 - (4) share charges in respect of all shares in all of the AssetCos;
 - (5) a floating charge over all of the assets of the Issuer;
 - (6) security over the Issuer's beneficial interest in the AssetCo Security as described in *AssetCo Security* below;
- (b) the Security granted by HoldCo in favour of the Issuer Security Trustee pursuant to the HoldCo Asset Charge; and
- (c) the Security granted by each Subordinated Lender in favour of the Issuer Security Trustee pursuant to each Subordinated Lender Deed of Charge.

AssetCo Security

Each AssetCo will grant as security for its obligations to the Issuer as described in the section entitled *Description of the AssetCo Documents - AssetCo Debenture*.

Enforcement rights and limitations

AssetCo Event of Default

The On-Loan Agreement will incorporate the agreed representations, covenants (including financial covenants) and AssetCo's Events of Default set out in the Common Terms Agreement.

Non-Performing AssetCo Enforcement Rights

Upon the occurrence of an AssetCo Event of Default in respect of an AssetCo (a **Non-Performing AssetCo**), the Issuer Security Trustee and AssetCo Security Trustee may, or shall if instructed by the Noteholders (subject to being indemnified and/or secured and/or prefunded to its satisfaction), enforce (or direct enforcement of) any of the rights in respect of the shares in that Non-Performing AssetCo (and other rights, property or assets of an Issuer Obligor relating to such Non-Performing AssetCo), the On-Loan Agreement, the AssetCo Security, any project specific step-in rights and full recourse claims under the AssetCo Guarantee given by that AssetCo (the **Non-Performing AssetCo Enforcement Rights**).

Issuer Event of Default

Following an Issuer Event of Default, the Issuer Note Trustee and the Noteholders (acting in accordance with the Issuer Deed of Charge) shall be entitled to instruct the Issuer Security Trustee and the AssetCo Security Trustee (subject to being indemnified and/or secured and/or prefunded to its

satisfaction) to take enforcement action described in Non-Performing AssetCo Enforcement Rights (following delivery of an AssetCo Enforcement Notice) above and in addition (following delivery of an Issuer Enforcement Notice) to enforce all of the Issuer Security. In addition the Issuer Security Trustee may, or if directed by a majority of the Noteholders who represent at least 25 per cent. of the aggregate Principal Amount Outstanding of the Notes shall, accelerate (or direct the Issuer Note Trustee to accelerate) the Notes (subject to being indemnified and/or secured and/or prefunded to its satisfaction).

Cross collateralisation guarantee and cash pooling

The cross collateralisation arrangements for the Transaction consist of cash pooling at the Issuer level. In addition each AssetCo will enter into a joint and several limited recourse guarantee of the obligations of each other AssetCo under the On-Loan Agreement, whereby the claims under such guarantee are limited to Surplus Cash.

In the enforcement scenarios described above the Issuer Secured Creditors will not have access to the cash reserves held in the Sinking Fund Account and Opex Account of each Performing AssetCo.

CORPORATE INFORMATION ON THE ISSUER OBLIGORS AND ASSETCOS

The Issuer

Campus Living Villages (Bond Issuer) UK plc was incorporated under the Companies Act 2006 and registered in England and Wales on 28 January 2014 as a public limited liability company with number 08865013 and has been incorporated as a special purpose company for the purpose of issuing the Notes under the Transaction, making the On-Loans and to act as a holding company of the AssetCos. The Issuer's registered office address is at 6th Floor, One London Wall, London EC2Y 5EB and its telephone number is 020 7036 8445.

As at the date of this Prospectus, the Issuer is a wholly owned subsidiary of HoldCo and its issued share capital is £60,000 divided into 60,000 ordinary shares of £1 each (paid up as to £50,000 in aggregate) being held by HoldCo. The rights of HoldCo as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed by its directors in accordance with those articles and with the provisions of English Law.

The current directors and secretary of the Issuer their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>	<i>Other Principal Activities</i>
Gary Clarke	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Letting and operating of own or leased real estate	—
Sean McKeown	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Letting and operating of own or leased real estate	—

There are no actual or potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or duties.

HoldCo

Campus Living Villages (Portfolio Holdings) UK Limited was incorporated under the Company (Jersey Law) 1991 and registered in Jersey on 27 January 2014 as a private limited company with number 114842 and has been incorporated as a special purpose company to act as a holding company of the Issuer. The registered office address of HoldCo is at 11 Bath Street, St Helier, Jersey JE2 4ST and its telephone number is 01534 733401.

As at the Issue Date HoldCo is a subsidiary of Arlington Student Holdings (No.1) Limited and Campus Living Villages (Portfolio Finance) UK Limited and its issued share capital is £60,000 divided into 60,000 ordinary shares of £1.00 each. The rights of Arlington Student Holdings (No 1) Limited and Campus Living Villages (Portfolio Finance) UK Limited as shareholders in HoldCo are contained in the articles of association of HoldCo and a shareholder agreement and HoldCo will be managed by its directors in accordance with those articles of association and shareholders' agreement and with the provisions of Jersey Law.

The current directors and secretary of HoldCo and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>	<i>Other Principal Activities</i>
Gary Clarke	The Woolyard, 56 Bermondsey Street, London SE1 3UD,	Other letting and operating of own or leased real estate	—

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>	<i>Other Principal Activities</i>
United Kingdom			
Sean McKeown	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Other letting and operating of own or leased real estate	—
George Nicholas Shweiry	29/30 Fitzroy Square, London W1T 6LQ	Other letting and operating of own or leased real estate	—
Michael Seal	3rd Floor, 20 St James's Street, London SW1A 1ES	Other letting and operating of own or leased real estate	—

There are no actual or potential conflicts of interest between the duties to HoldCo of the persons listed above and their private interests or duties.

Multi AssetCo

Campus Living Villages (City Portfolio) UK Limited was incorporated under the Companies Act 2006 and registered in England and Wales on 28 January 2014 as a private limited company with number 08865364 and has been incorporated as a special purpose company for the purposes of the Transaction to acquire and hold the relevant Properties. The registered office address of Multi AssetCo is at 6th Floor, One London Wall, London EC2Y 5EB and its telephone number is 020 7036 8445.

As at the Issue Date Multi AssetCo is a wholly owned subsidiary of the Issuer and its issued share capital is £1 divided into 1 ordinary share of £1. The rights of the Issuer as a shareholder in Multi AssetCo are contained in the articles of association of Multi AssetCo and Multi AssetCo will be managed by its directors in accordance with those articles and with the provisions of English Law.

The current directors and secretary of Multi AssetCo and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>	<i>Other Principal Activities</i>
Gary Clarke	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Other letting and operating of own or leased real estate	—
Sean McKeown	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Other letting and operating of own or leased real estate	—

There are no actual or potential conflicts of interest between the duties to Multi AssetCo of the persons listed above and their private interests or duties.

Single AssetCo

Campus Living Villages (Sutton Bonington) UK Limited was incorporated under the Companies Act 2006 and registered in England and Wales on 28 January 2014 as a private limited company with number 08865408 and has been incorporated as a special purpose company for the purposes of the Transaction to acquire and hold the Nottingham Property. The registered office address of Single AssetCo is at 6th Floor, One London Wall, London EC2Y 5EB and its telephone number is 020 7036 8445.

As at the Issue Date Single AssetCo is a wholly owned subsidiary of the Issuer and its issued share capital is £1 divided into 1 ordinary share of £1. The rights of the Issuer as a shareholder in Single

AssetCo are contained in the articles of association of Single AssetCo and Single AssetCo will be managed by its directors in accordance with those articles and with the provisions of English Law.

The current directors and secretary of Single AssetCo and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>	<i>Other Principal Activities</i>
Gary Clarke	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Other letting and operating of own or leased real estate	—
Sean McKeown	The Woolyard, 56 Bermondsey Street, London SE1 3UD, United Kingdom	Other letting and operating of own or leased real estate	—

There are no actual or potential conflicts of interest between the duties to Single AssetCo of the persons listed above and their private interests or duties.

THE MONITORING ADVISER

Bishopsfield Capital Partners Ltd. (the **Monitoring Adviser**) is incorporated with limited liability in England and Wales pursuant to the Companies Act 2006 with registered number 7276948 and has its registered office at 64 New Cavendish Street London W1G 8TB. The Monitoring Adviser is authorised and regulated by the Financial Conduct Authority. The Monitoring Adviser is an independent structured and corporate financial advisory firm providing advice to corporations, institutional investors and financial institutions. The Monitoring Adviser provides transaction structuring and on-going monitoring services facilitating the involvement of institutional investors in infrastructure and other complex debt transactions.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be incorporated by reference into each Global Note and into Notes in definitive form (if any) issued in exchange for the Global Note(s) (only if such incorporation by reference is permitted by the rules of the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Note will have endorsed thereon or attached thereto such text.

The terms and conditions applicable to the Notes are these terms and conditions (**Conditions**).

The £157,500,000 Secured Indexed Rate Amortising Notes due 2063 (the **Indexed Notes**) and the £52,500,000 Secured Fixed Rate Amortising Notes due 2063 (the **Fixed Rate Notes**, and together with the Indexed Notes, the **Notes**), together forming a single series, of Campus Living Villages (Bond Issuer) UK plc (the **Issuer**) are constituted by, are subject to and have the benefit of a Note Trust Deed to be dated on or before 27 February 2014 (the **Issue Date**) as the same may be amended, supplemented, restated and/or novated from time to time, (the **Note Trust Deed**) between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee (the **Issuer Note Trustee**, which expression includes the trustee or trustees for the time being of the Note Trust Deed).

While there are both Indexed Notes and Fixed Rate Notes outstanding, each respectively constitutes a separate **Class** of Notes. However, except where the Conditions indicate that a provision applies to the Indexed Notes or to Fixed Rate Notes or to a particular Class, all references to the Notes in the Conditions are to all of the Notes as if they constituted a single class of Notes.

The primary source of funds for the payment of principal and interest on the Notes will be the right of the Issuer to receive payments of interest and repayments of principal in respect of secured loans made under the On-Loan Agreement to be entered into between Campus Living Villages (Sutton Bonington) UK Limited and Campus Living Villages (City Portfolio) UK Limited (the **AssetCos** and each an **AssetCo**) and the Issuer.

The Notes will have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the **Agency Agreement**) to be dated on or before the Issue Date (to which, *inter alios*, the Issuer, the Issuer Note Trustee, the Principal Paying Agent and the other Paying Agents are party). As used herein, each of **Principal Paying Agent**, **Paying Agents**, **Agent Bank** means, in relation to the Notes, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents and/or Agent Bank, respectively, and, in each case, any successor to such person in such capacity.

On or about the Issue Date, the Issuer will, *inter alios*, enter into a deed of charge (as amended, supplemented and/or restated from time to time, the **Issuer Deed of Charge** and, together with the Note Trust Deed and any documents entered into in accordance with and expressed to be supplemental thereto, the **Trust Documents**) with U.S. Bank Trustees Limited as **Issuer Security Trustee** and U.S. Bank Trustees Limited as **AssetCo Security Trustee**, pursuant to which the Issuer will grant certain fixed and floating charge security (together with the fixed and floating security created by the Issuer pursuant to the Issuer Security Documents, the **Issuer Security**) to the Issuer Security Trustee (for itself and on behalf of the other Issuer Secured Creditors), the Issuer Note Trustee (for itself and on behalf of the Noteholders), the Cash Administrator, the Account Bank, the Monitoring Adviser, the Principal Paying Agent, the Agent Bank and certain other secured creditors (together, the **Issuer Secured Creditors**).

On or about 26 February 2014 (the **Signing Date**), the Issuer will enter into a Note Purchase Agreement (the **Note Purchase Agreement**) with the arranger named therein (the **Arranger**) and dealer named therein (the **Dealer**) for the issue by the Issuer and the purchaser by such Dealer of any Notes being issued on the Issue Date.

On or about the Issue Date, the Issuer and certain other parties will enter into a common terms agreement (as amended, supplemented and/or restated from time to time, the **Common Terms Agreement**) setting out, amongst other things, certain definitions, representations, warranties,

covenants, Monitoring Trigger Events, Lock-Up Events and Events of Default (as such terms are defined in the Common Terms Agreement) that apply to the Transaction Documents.

The Notes, the Note Trust Deed, the Agency Agreement, the Cash Administration Agreement, the On-Loan Agreement, the Management Services Agreement, the DSRA Loan Agreement, the Common Documents in so far as they relate to the Issuer and any other Transaction Document to which the Issuer is a party or document designated as such are, in relation to the Notes, together referred to as the **Issuer Transaction Documents**.

The Common Terms Agreement, the Issuer Deed of Charge and other Issuer Security Documents, the Account Bank Agreement, the Monitoring Services Agreement, the Cash Administration Agreement, the Custody Agreement, the On-Loan Agreement, the DSRA Loan Agreement, the Tax Deed of Covenant, Conditions Precedent Agreement and the Management Services Agreement are together referred to as the **Common Documents** whilst the On-Loan Agreement, each AssetCo Security Document, the Property Documents relating to the Nottingham Property, each Subordinated Loan Agreement, the DSRA Loan Agreement, the Common Documents (in so far as they relate to a relevant AssetCo), and any other Transaction Document to which an AssetCo is a party or document designated as such are together referred to as the **AssetCo Documents**. The Issuer Transaction Documents, the Common Documents, the AssetCo Documents and the Property Documents are together referred to as the **Transaction Documents**.

Terms not defined in these Conditions have the meanings set out in the Common Terms Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Notes (which expression shall include the body thereof), the Common Terms Agreement, the Note Trust Deed, the Issuer Deed of Charge or the other Transaction Documents. Copies of the Note Trust Deed, the Agency Agreement, the Common Terms Agreement, the Issuer Deed of Charge and the other Transaction Documents are available for inspection and for the taking of copies or extracts by Noteholders during normal business hours at the specified offices of the Principal Paying Agent and at the specified office of the Issuer Note Trustee. For these purposes, the Issuer shall provide the Issuer Note Trustee and Paying Agent with sufficient copies of each of the relevant documents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Agency Agreement, the Common Terms Agreement, the Issuer Deed of Charge and the other Transaction Documents.

1. Form, denomination and title

1.1 Form and Denomination

The Notes are in bearer form and serially numbered in the Specified Denomination(s).

The Notes shall be issued in the denomination of £100,000 and higher integral multiples of £1,000 (the **Specified Denomination**).

So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes shall be tradable only in principal amounts of at least the Specified Denomination.

The Notes are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached thereto. After all the Coupons attached to, or issued in respect of, any Note which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

The Notes are issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto.

1.2 Title

Title to the Notes, Coupons, Receipts and Talons (if any) passes by delivery.

In these Conditions, subject as provided below, each reference to **Noteholder** (in relation to a Note, Coupon, Receipt or Talon), **holder** and **Holder** means the bearer of any Note, Coupon, Receipt or Talon (as the case may be). The expressions **Noteholder**, and **Holder** include the holders of instalment receipts (**Receipts**) appertaining to the payment of principal by instalments (if any) attached to such Notes (the **Receiptholders**), the holders of the coupons (**Coupons**) (if any) appertaining to interest bearing Notes (the **Couponholders**), and the expression Couponholders or Receiptholders includes the holders of talons (**Talons**) in relation to Coupons or Receipts as applicable, (**Talontholders**).

The bearer of any Note, Coupon, Receipt or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Note, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein) and no person will be liable for so treating the holder.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer, the Principal Paying Agent and the Issuer Note Trustee.

2. Status of the Notes

2.1 Status of the Notes

The Notes, Coupons, Talons and Receipts are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 3 (*Security, Priority and Relationship with Issuer Secured Creditors*) and rank *pari passu* without any preference among themselves.

2.2 Issuer Note Trustee not responsible for monitoring compliance

The Issuer Note Trustee shall be under no obligation to monitor or supervise the functions of any other person under the Notes or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of written notice of a breach of obligation, to assume that each such person is properly performing and complying with its obligations. The Issuer Note Trustee shall be entitled to call for and rely upon a certificate believed by it to be genuine of any two Authorised Signatories or any two directors of any of the parties to the Issuer Transaction Documents (including the Issuer) in respect of every matter and circumstance upon which the Issuer Note Trustee may require to be satisfied or for which a certificate is expressly provided for under the Issuer Transaction Documents as sufficient evidence thereof and the Issuer Note Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failing to do so.

3. Security, Priority and Relationship with Issuer Secured Creditors

3.1 Security

As continuing security for the payment or discharge all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document and the Notes (the **Issuer Secured Liabilities**), the Issuer, with full title guarantee, in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, has granted pursuant to the Issuer Deed of Charge:

- (a) an assignment by way of first fixed security of the benefit of the Issuer under the Transaction Documents (other than the Trust Documents) to which it is a party;
- (b) an assignment by way of security of the benefit of the Issuer's interest in the AssetCo Security (including, without limitation, all such right, title, interest under such AssetCo

Security Documents) surrogating and substituting the Issuer Security Trustee in its full right and place therein and thereto;

- (c) a first fixed charge of the benefit of the accounts of the Issuer held pursuant to or in accordance with any Transaction Document including any sub-account or sub-accounts relating to that account and any replacement account from time to time and any bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- (d) a first fixed charge of the benefit of each Authorised Investment (as defined in the Common Terms Agreement); and
- (e) a first floating charge, over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security as described in paragraphs (a) - (d) above).

In addition, (i) HoldCo has granted the HoldCo Asset Charge and (ii) each Subordinated Lender has entered into a Subordinated Lender Deed of Charge, all in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors as continuing security for the payment and discharge of all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor and, in the case of the HoldCo Asset Charge, all monies, liabilities and obligations incurred by HoldCo to the Issuer or the Issuer Security Trustee (for itself and on behalf of the Issuer Secured Creditors).

For the purposes of these Conditions:

AssetCo Security means the Security created pursuant to the AssetCo Security Documents;

AssetCo Security Documents means each AssetCo Debenture, each AssetCo Mortgage and the AssetCo Guarantee;

Issuer Security means the security created in favour of the Issuer Security Trustee pursuant to the Issuer Security Documents;

Issuer Security Documents means the Issuer Deed of Charge, each Subordinated Lender Deed of Charge, the HoldCo Asset Charge and any other Transaction Document which may be designated an Issuer Security Document;

Obligor Security means the security created pursuant to the Security Documents; and

Security Documents means each Issuer Security Document and each AssetCo Security Document.

3.2 Relationship among Noteholders and with other Issuer Secured Creditors

The Note Trust Deed contains provisions detailing the Issuer Note Trustee's obligations to consider the interests of Noteholders as regards all discretions of the Issuer Note Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Issuer Note Trustee protections*)).

3.3 Enforceable Security

In the event of the Issuer Security becoming enforceable as provided in the Issuer Deed of Charge, the Issuer Security Trustee shall, if instructed by the Noteholders, enforce its rights with respect to the Issuer Security but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Noteholder, *provided that* the Issuer Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

3.4 Application after enforcement

After enforcement of the Issuer Security, the Issuer Security Trustee shall (to the extent that such funds are available) use the proceeds of such enforcement to make payments in accordance with the Issuer Post-Enforcement Priority of Payments.

3.5 Issuer Note Trustee and Issuer Security Trustee not liable for security

The Issuer Note Trustee may accept without investigation, requisition or objection such right and title as the Issuer may have to any of the Issuer Charged Property and the other Security created in favour of the Issuer Note Trustee under any Issuer Transaction Documents and shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer or any other person to all or any of the Issuer Charged Property whether such defect or failure was known to the Issuer Note Trustee or might have been discovered upon examination or enquiry and whether capable of remedy or not.

The Issuer Security Trustee shall not nor shall any Receiver, attorney or agent of the Issuer Security Trustee by reason of taking possession of the Issuer Charged Property or any part thereof or for any other reason whatsoever and whether as mortgagee in possession or on any other basis whatsoever:

- (a) be liable to account to the Issuer or any other person whatsoever for anything except actual receipts in respect of the Issuer Charged Property; or
- (b) be liable to the Issuer or any other person whatsoever for any loss or damage arising from realisation of the Issuer Charged Property or any part thereof or from any act, default or omission in relation to the Issuer Security or any part thereof or from any exercise or non-exercise by it of any power, authority or discretion conferred upon it in relation to the Issuer Charged Property or any part thereof or otherwise, unless such loss or damage shall be caused by its own gross negligence, wilful default or fraud.

4. Issuer Covenants

So long as any of the Notes remains outstanding, the Issuer has agreed to comply with the covenants as set out in Schedule 6 (*Issuer Covenants*) of the Common Terms Agreement.

5. Interest and other calculations

5.1 Interest Rate and accrual

Each Note bears interest on its Principal Amount Outstanding as defined below from the Issue Date at the Interest Rate (as defined below), such interest being payable in arrear on each Interest Payment Date (as defined below).

Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that would otherwise apply in respect of unpaid amounts on such Notes at such time to the Note Relevant Date (as defined in Condition 5.6 (*Calculations definitions*)).

Whenever it is necessary to compute an amount of interest for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis of Actual/Actual (ICMA).

5.2 Indexed Notes

Payments of principal on, and the interest payable in respect of, the Indexed Notes shall be subject to adjustment for indexation and to the extent set out in Condition 6.2 (*Application of Index Ratio*) below.

5.3 Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up);
- (b) all figures will be rounded to seven significant figures (with halves being rounded up); and
- (c) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, **unit** means, with respect to any currency other than sterling, the lowest amount of such currency which is available as legal tender in the country of such currency.

5.4 Calculations

The amount of interest payable in respect of any Note on any Interest Payment Date shall be calculated by applying the Interest Rate to the Calculation Amount and on the basis of Actual/Actual (ICMA) and, in the case of Indexed Notes only, the resulting amount of interest payable shall be subject to adjustment for indexation in accordance with Condition 6.2 (*Application of Index Ratio*).

5.5 Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

On each Interest Determination Date or such other time on such date as the Agent Bank may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an **Instalment Amount**)), obtain any quote or make any determination or calculation, the Agent Bank will determine the Interest Rate and calculate the amount of interest payable (the **Interest Amounts**) in respect of each Specified Denomination of Notes for the relevant Interest Period (including, for the avoidance of doubt, any applicable Index Ratio to be calculated in accordance with Condition 6.2 (*Application of Index Ratio*)), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to the Paying Agents and, in each case, the Issuer Note Trustee, the Issuer, the Noteholders and the Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation as soon as possible after its determination but in no event later than:

- (a) (in case of notification to the Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or
- (b) in all other cases, the fourth Business Day after such determination.

The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to listing, to the Principal Paying Agent, the Issuer Note Trustee and to the Noteholders in accordance with Condition 15 (*Notices*).

If the Notes become due and payable under Condition 10 (*Issuer Events of Default and Enforcement Notice*), the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously provided in accordance with this

Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Issuer Note Trustee.

The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank or, as the case may be, the Issuer Note Trustee pursuant to this Condition 5 or Condition 6 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

5.6 Calculations definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

Actual/Actual (ICMA) means:

- (a) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Regular Period and (y) two; and
- (b) if the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the number of days in such Regular Period and (2) two; and
 - (2) the number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the number of days in such Regular Period and (2) two;

Business Day means day on which commercial banks and foreign exchange markets settle payments generally in London;

Calculation Amount means £1,000;

Calculation Period means the relevant period for which interest is to be calculated (from and including) the first day in such period to (but excluding) the last day in such period;

euro means the lawful currency of the Participating Member States;

Fixed Benchmark Gilt means the sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange whose duration most closely matches that of the Fixed Rate Notes on the Reference Date as the Indexation Adviser shall determine to be appropriate;

Fixed Benchmark Gilt Yield means the yield of the Fixed Benchmark Gilt calculated by the Nominated Financial Adviser 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) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time);

Fixed Interest Rate means 5.517 per cent. (5.517%) per annum;

Final Maturity Date means 31 August, 2063;

Indexation Adviser means such gilt edged market maker or other adviser selected by the Issuer and approved by the Issuer Note Trustee for the purpose of providing advice relating to indices as set out in the Conditions;

Indexed Benchmark Gilt means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded

on the London Stock Exchange whose duration most closely matches that of the Indexed Notes on the Reference Date as the Indexation Adviser shall determine to be appropriate;

Indexed Benchmark Gilt Yield means the yield of the Indexed Benchmark Gilt calculated by the Nominated Financial Adviser 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) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time);

Indexed Interest Rate means 2.116 per cent. (2.116%) per annum;

Interest Determination Date means, with respect to an Interest Rate and an Interest Period, the day falling two Business Days in London prior to the first day of such Interest Period;

Interest Payment Date 28th February and 31st August in each year (with the first Interest Payment Date on 31st August 2014);

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

Interest Rate means the Indexed Interest Rate in relation to the Indexed Notes and the Fixed Interest Rate in relation to the Fixed Rate Notes, as applicable;

Nominated Financial Adviser a financial adviser nominated by the Issuer and approved by the Issuer Note Trustee;

Note Relevant Date means, in respect of any Class of the Notes, the earlier of (a) the date on which all amounts in respect of the Notes have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Notes in accordance with Condition 6.2 (*Application of Index Ratio*)) has been received by the Principal Paying Agent, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*);

Participating Member State means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and **Participating Member States** means all of them;

Principal Amount Outstanding means, in relation to a Note, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Note;

Redemption Amount means the amount provided under Condition 7.3 (Optional early redemption);

Regular Period means each period from (and including) 28 February or 31 August in any year to (but excluding) the next 31 August or 28 February;

Stock Exchange means the Irish Stock Exchange Limited;

sub-unit means in the case of any currency, the lowest amount of such currency that was available as legal tender in the country of such currency; and

UK Government Gilt means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury.

5.7 Agent Bank

The Issuer will procure that there shall at all times be an Agent Bank. If the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will

appoint (with the prior written consent of the Issuer Note Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

5.8 Determination or Calculation by Issuer Note Trustee

If the Agent Bank does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Issuer Note Trustee may (or a person appointed by it for such purpose, in each case, without liability to any person for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Note Trust Deed) it shall deem fair and reasonable in all the circumstances and in reliance on such persons who may be appointed for such purpose or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances and in reliance on such persons who may be appointed for such purpose, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

5.9 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 5 (*Interest and other calculations*) whether by the Principal Paying Agent or the Agent Bank shall (in the absence of wilful default, gross negligence, bad faith or fraud) be binding on the Issuer, the Agent Bank, the Issuer Note Trustee, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer Obligors, the Issuer Note Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6. Indexation

6.1 Indexation definitions

Base Index Figure means (subject to Condition 6.3(a) (*Change in base*)), 251.90, being the Index Figure for September 2013;

Index or **Index Figure** means, subject as provided in Condition 6.3(a) (*Change in base*), the UK Retail Price Index (**RPI**) (for all items) published by the Central Statistical Office and available to view at www.statistics.gov.uk (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt.

Index Ratio as applicable to any Interest Payment Date or Redemption Date, means the Relevant Index Figure applicable to that Interest Payment Date or Redemption Date (as applicable) divided by the Base Index Figure;

Redemption Date means any date on which the Indexed Notes are redeemed in accordance with Condition 7.1 (*Final redemption*), Condition 7.2 (*Scheduled redemption in part*), Condition 7.3 (*Optional early redemption*), Condition 7.4 (*Early redemption for Index Event, taxation or other reasons*), 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*) and Condition 7.6 (*Early redemption on any other prepayment of the On-Loan Agreement*);

LPI Annual Ratio means:

- (a) as applicable to the first Interest Payment Date or Redemption Date, 100%; and

(b) as applicable to any subsequent Interest Payment Date or Redemption Date, the ratio of Index Figures for:

- (1) the September immediately preceding the relevant Interest Payment Date or Redemption Date (such September being the **Reference Month**); over
- (2) the September falling twelve months prior to the Reference Month,

provided that:

- (A) if such ratio is greater than 105%, it shall be deemed to be 105%; and
- (B) if such ratio is less than 100%, it shall be deemed to be 100%.

Relevant Index Figure means:

- (a) as applicable to any date in the period up to and excluding the second Interest Payment Date, subject as provided in Condition 6.3 (*Change in circumstances affecting the Index*) and 6.5 (*Cessation of or fundamental changes to the Index*), the Base Index Figure; and
- (b) as applicable to any subsequent Interest Payment Date or Redemption Date (as applicable), subject as provided in Condition 6.3 (*Change in circumstances affecting the Index*) and 6.5 (*Cessation of or fundamental changes to the Index*) the Relevant Index Figure as previously calculated in respect of the month twelve months prior thereto; multiplied by the LPI Annual Ratio applicable to such Interest Payment Date or Redemption Date.

6.2 Application of Index Ratio

Each payment of interest and principal in respect of the Indexed Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the Interest Payment Date or Redemption Date on which such payment falls to be made and rounded in accordance with Condition 5.3 (*Rounding*).

6.3 Change in circumstances affecting the Index

(a) *Change in base*

If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect:

- (1) the definition of Index and Index Figure in Condition 6.1 (*Indexation definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and
- (2) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(b) *Delay in publication of Index*

If the Index Figure relating to any month (the **relevant month**) which is required to be taken into account for the purposes of the determination of the Relevant Index Figure for any date is not published on or before the fourteenth Business Day before the date on which such payment is due (the **date for payment**) (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be:

- (1) such substitute index figure (if any) as the Indexation Adviser in advice to the Issuer Note Trustee considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK government for such purpose) for the purposes of indexation of payments on the Indexed Benchmark Gilt or, failing such publication, on any one or more issues of index linked UK Government Gilt selected by an Indexation Adviser; or

- (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to (1) above) before the date for payment.

6.4 Application of changes

Where the provisions of Condition 6.3(b) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 6.3(b)(2), the Index Figure relating to the relevant month is subsequently published while a Indexed Note is still outstanding, then:

- (a) in relation to a payment of principal or interest in respect of such Indexed Note other than upon final redemption of such Indexed Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 6.3(b) (*Delay in publication of Index*) or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and
- (b) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid shall be made.

6.5 Cessation of or fundamental changes to the Index

- (a) If:
 - (1) the Issuer Note Trustee has been notified by the Principal Paying Agent that the Index has ceased to be published; or
 - (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Issuer Note Trustee acting solely and without liability on the advice of an Indexation Adviser, be materially prejudicial to the interests of the relevant Noteholders,

the Issuer Note Trustee shall give written notice of such occurrence to the Issuer, and the Issuer and the Issuer Note Trustee (on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Indexed Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the relevant Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

- (b) If the Issuer and the Issuer Note Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (a), a bank or other person in London shall be appointed by the Issuer and the Issuer Note Trustee or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 Business Day period referred to above, by the Issuer Note Trustee (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Indexed Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the relevant Noteholder in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Issuer Note Trustee in connection with such appointment shall be borne by the Issuer.

- (c) If any payment in respect of the Indexed Notes is due to be made after the cessation or changes referred to in Condition 6.5(a) but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 6.3(a) (*Change in base*)) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a **provisional payment**) on the Indexed Notes having been made on the basis of an Index applicable under Condition 6.3(b)(1) and the Issuer Note Trustee (acting solely and without liability on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 6.5 (*Cessation of or fundamental changes to the Index*), then:
- (1) in relation to a payment of principal or interest in respect of the Indexed Notes other than upon final redemption of such Indexed Note, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Indexed Notes on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Indexed Notes if such adjustment or substituted index had been in effect on that date; or
 - (2) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid shall be made.
- (d) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Issuer Note Trustee (acting on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Issuer Note Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the other Issuer Secured Creditors, the Issuer Note Trustee and the relevant Noteholders, and the Issuer shall give notice to the relevant Noteholders in accordance with Condition 15 (*Notices*) of such amendments as promptly as practicable following such notification.

7. Redemption, purchase and cancellation

7.1 Final redemption

If the Notes have not previously been redeemed in full, or purchased and cancelled, the Notes will be finally redeemed at the then Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) plus accrued but unpaid interest on the Final Maturity Date.

7.2 Scheduled redemption in part

Prior to the enforcement of the Issuer Security, the Notes shall, subject to Condition 7.1 (*Final redemption*), Condition 7.3 (*Optional early redemption*), Condition 7.4 (*Early redemption for Index Event, taxation or other reasons*), 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*) and Condition 7.6 (*Early redemption on any other prepayment of the On-Loan Agreement*) be repaid in instalments on each relevant Interest Payment Date in the amortisation amount set out opposite the relevant Interest Payment Date below (each an **Instalment Amount**, in the case of the Indexed Notes, such Instalment Amount being as adjusted for indexation to the extent set out in Condition 6.2 (*Application of Index Ratio*)). If any partial redemption of the Notes is made at any time otherwise than in accordance with this Condition 7.2, then each Instalment Amount which falls to

be paid after the date of such partial redemption shall be reduced by a proportion of such Instalment Amount which is the same proportion as the partial redemption so made bore to the Principal Amount Outstanding of the Notes immediately prior to such partial redemption being made but after deducting any redemption made in accordance with this Condition 7.2 on the date such partial redemption is made.

Amortisation schedule for the Notes

<i>Interest Payment Date</i>	<i>Instalment Amount per £1000 of Indexed Notes (before indexation)</i>	<i>Instalment Amount per £1000 of Fixed Rate Notes</i>
31/08/2014	4.98	4.98
28/02/2015	7.49	7.49
31/08/2015	6.70	6.70
28/02/2016	7.56	7.56
31/08/2016	6.92	6.92
28/02/2017	7.16	7.16
31/08/2017	6.43	6.43
28/02/2018	7.14	7.14
31/08/2018	6.27	6.27
28/02/2019	7.39	7.39
31/08/2019	6.67	6.67
28/02/2020	7.78	7.78
31/08/2020	7.15	7.15
28/02/2021	8.14	8.14
31/08/2021	7.44	7.44
28/02/2022	8.48	8.48
31/08/2022	7.78	7.78
28/02/2023	8.82	8.82
31/08/2023	8.12	8.12
28/02/2024	9.13	9.13
31/08/2024	8.51	8.51
28/02/2025	9.50	9.50
31/08/2025	8.82	8.82
28/02/2026	9.78	9.78
31/08/2026	9.10	9.10
28/02/2027	10.07	10.07
31/08/2027	9.39	9.39
28/02/2028	10.33	10.33
31/08/2028	9.69	9.69
28/02/2029	10.71	10.71
31/08/2029	7.89	7.89
28/02/2030	8.82	8.82
31/08/2030	8.20	8.20
28/02/2031	9.12	9.12
31/08/2031	8.50	8.50
28/02/2032	9.40	9.40
31/08/2032	8.84	8.84
28/02/2033	9.72	9.72
31/08/2033	9.12	9.12
28/02/2034	10.02	10.02
31/08/2034	9.43	9.43
28/02/2035	10.33	10.33
31/08/2035	9.74	9.74
28/02/2036	10.62	10.62

<i>Interest Payment Date</i>	<i>Instalment Amount per £1000 of Indexed Notes (before indexation)</i>	<i>Instalment Amount per £1000 of Fixed Rate Notes</i>
31/08/2036	10.08	10.08
28/02/2037	10.94	10.94
31/08/2037	10.37	10.37
28/02/2038	11.36	11.36
31/08/2038	10.79	10.79
28/02/2039	11.78	11.78
31/08/2039	10.70	10.70
28/02/2040	11.64	11.64
31/08/2040	11.18	11.18
28/02/2041	9.12	9.12
31/08/2041	8.68	8.68
28/02/2042	9.51	9.51
31/08/2042	9.07	9.07
28/02/2043	9.76	9.76
31/08/2043	9.33	9.33
28/02/2044	10.03	10.03
31/08/2044	9.29	9.29
28/02/2045	9.97	9.97
31/08/2045	9.55	9.55
28/02/2046	10.25	10.25
31/08/2046	9.81	9.81
28/02/2047	10.54	10.54
31/08/2047	10.09	10.09
28/02/2048	10.82	10.82
31/08/2048	10.41	10.41
28/02/2049	11.12	11.12
31/08/2049	10.33	10.33
28/02/2050	11.05	11.05
31/08/2050	10.63	10.63
28/02/2051	11.34	11.34
31/08/2051	10.93	10.93
28/02/2052	11.63	11.63
31/08/2052	11.24	11.24
28/02/2053	11.93	11.93
31/08/2053	11.53	11.53
28/02/2054	12.23	12.23
31/08/2054	11.50	11.50
28/02/2055	12.18	12.18
31/08/2055	11.80	11.80
28/02/2056	12.45	12.45
31/08/2056	12.09	12.09
28/02/2057	12.70	12.70
31/08/2057	12.33	12.33
28/02/2058	12.94	12.94
31/08/2058	12.59	12.59
28/02/2059	13.19	13.19
31/08/2059	12.32	12.32
28/02/2060	12.89	12.89
31/08/2060	12.57	12.57
28/02/2061	13.71	13.71
31/08/2061	13.39	13.39
28/02/2062	14.53	14.53

<i>Interest Payment Date</i>	<i>Instalment Amount per £1000 of Indexed Notes (before indexation)</i>	<i>Instalment Amount per £1000 of Fixed Rate Notes</i>
31/08/2062	14.22	14.22
28/02/2063	14.47	14.47
31/08/2063	15.90	15.90

7.3 Optional early redemption

Subject as provided below, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee and the Noteholders (in accordance with Condition 15 (*Notices*)), the Issuer may (prior to the Final Maturity Date and prior to the enforcement of the Issuer Security) redeem the Indexed Notes in whole or the Fixed Rate Notes in whole or in part (but if in part only in respect of the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the and the restrictions contained in the On-Loan Agreement) at their Redemption Amount, *provided that* Notes may be redeemed only on an Interest Payment Date, as follows:

- (a) in respect of the Fixed Rate Notes, the Redemption Amount will be an amount equal to the higher of their Principal Amount Outstanding and an amount calculated by discounting the remaining principal and interest payments at a rate equal to the yield on the Fixed Benchmark Gilt plus accrued but unpaid interest on the Principal Amount Outstanding; and
- (b) in respect of the Indexed Notes, the Redemption Amount will be an amount equal to the higher of their Principal Amount Outstanding (as adjusted in accordance with the Index Ratio) and an amount calculated by discounting the remaining principal and interest payments (ignoring future changes in the Index Ratio) at a rate equal to the real yield on the Indexed Benchmark Gilt plus accrued but unpaid interest (as adjusted in accordance with the Index Ratio) on the Principal Amount Outstanding.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Transaction Documents) to the Issuer Note Trustee that it will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid.

For the purposes of this Condition:

Reference Date means the date which is two Business Days prior to the despatch of the relevant notice of redemption in respect of the relevant Notes.

7.4 Early redemption for Index Event, taxation or other reasons

(a) *Redemption for Index Events*

Upon the occurrence of any Index Event (as defined below), the Issuer may, prior to the enforcement of the Issuer Security, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee and the holders of the Indexed Notes in accordance with Condition 15 (*Notices*), redeem all (but not some only) of the Indexed Notes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) plus accrued but unpaid interest.

Index Event means if the Index Figure for three consecutive Interest Payment Dates falls to be determined on the basis of an Index Figure previously published as provided in Condition 6.3(b) (*Delay in publication of Index*) and the Issuer Note Trustee has not been notified by the Principal Paying Agent that publication of the Index has ceased and no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

(b) *Redemption for Taxation Reasons*

In addition, if at any time the Issuer certifies to the Issuer Note Trustee, that:

- (1) the Issuer would become obliged to deduct or withhold from any payment of interest or principal in respect of the Notes, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the laws or regulations of the UK or any political subdivision thereof, or any other authority thereof by reason of any change in or amendment to such laws or regulations or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) (**Taxes**), or
- (2) an AssetCo would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments in respect of the On-Loan Agreement or, in each case, by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date in relation to the relevant Notes or the On-Loan Agreement,

then the Issuer shall, in order to avoid the relevant deductions or withholding, use its reasonable endeavours to mitigate any such withholding, deduction or illegality.

If the Issuer is unable to mitigate any such withholding, deduction or illegality and, as a result, the relevant deduction or withholding is continuing then the Issuer may, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), prior to the enforcement of the Issuer Security, redeem all (but not some only) of the affected Class of Notes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Notes, in accordance with Condition 6.2 (*Application of Index Ratio*)).

(c) *Certificate of entitlement to effect redemption*

Before giving any such notice of redemption under sub-paragraphs (a) or (b) above, the Issuer shall provide to the Issuer Note Trustee and the Noteholders a certificate signed by two Authorised Signatories of the Issuer:

- (1) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied; and
- (2) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the relevant Notes and any amounts under the Issuer Deed of Charge to be paid in priority to, or *pari passu* with, such Notes under the applicable Issuer Priority of Payments.

The Issuer Note Trustee and the Noteholders shall be entitled to accept and rely conclusively and without any liability on any certificate referred to in this Condition 7.4 as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

- (d) Upon the expiry of any such notice as is referred to in this Condition 7.4(b) (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.4(b).

7.5 **Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement**

Prior to the enforcement of the Issuer Security, following the prepayment in full by Single AssetCo of its On-Loan after the termination of the Nottingham Property Scheme Agreement, the Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), redeem Fixed Rate Notes in a notional amount equal to the Allocated On

Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On Loan Agreement at the higher of their Principal Amount Outstanding and an amount calculated by discounting the remaining principal and interest payments at a rate equal to the yield on the Fixed Benchmark Gilt plus accrued but unpaid interest.

7.6 Early redemption on prepayment of the On-Loan Agreement

Prior to the enforcement of the Issuer Security, the Issuer shall upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee and the Noteholders in accordance with Condition 15 (*Notices*), redeem the Corresponding Notes in whole or in part in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of and the restrictions contained in the On-Loan Agreement at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) plus accrued but unpaid interest on the following Interest Payment Date in the event of prepayment of the On-Loan Agreement other than as contemplated by or in accordance with Condition 7.3 (*Optional early redemption*) or Condition 7.5 (*Early redemption on prepayment of an On-Loan following termination of the Nottingham Property Scheme Agreement*).

7.7 Purchase of Notes by the AssetCos or any other member of the CLV Group

The Issuer, AssetCos or any other member of the CLV Group may at any time purchase Notes in the open market or otherwise at any price.

Any Note purchased by the Issuer, AssetCos, any other member of the CLV Group or any other Issuer Obligor or any of its direct or indirect shareholders or Affiliates shall, for so long as it is held by them (or on their behalf), cease to have voting rights and be excluded from any quorum or voting calculations set out in the Conditions.

Following any such purchase, AssetCos or other member of the CLV Group, as the case may be, may (but is not obliged to) surrender the Notes to the Issuer for cancellation.

An amount equal to the Principal Amount Outstanding of the Notes being surrendered shall be deemed to be prepaid under the On-Loan Agreement specified by the AssetCos, as the case may be (but, for the avoidance of doubt, without triggering a redemption under Condition 7.3 (*Optional early redemption*)).

7.8 Cancellation of purchased or redeemed Notes

Any Notes which are purchased by or on behalf of the Issuer shall, in each case, be surrendered to or to the order of the Principal Paying Agent, as the case may be, for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7.9 Redemption definitions

For the purposes of this Condition 7 (*Redemption, purchase and cancellation*):

Allocated On-Loan Amount means, in respect of any payment date, the principal amount originally scheduled to fall due from the relevant AssetCo under the On-Loan Agreement which corresponds to a principal amount originally scheduled to fall due from the Issuer in respect of the Corresponding Notes on such payment date as set out in the repayment schedule of the On-Loan Agreement.

Corresponding Notes means the Notes issued by the Issuer the proceeds of which, in whole or in part, are advanced by the Issuer to the relevant AssetCo as an On-Loan and in respect of which the rate of interest and scheduled principal payable by such AssetCo pursuant to the terms of the On-Loan Agreement corresponds to the rate of interest and (in aggregate) the Relevant Proportion of the scheduled principal payable by the Issuer in respect of such Notes.

Relevant Proportion means:

- (a) in the case of Fixed Rate On-Loans, the proportion that the principal amount of such Fixed Rate On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with a corresponding fixed rate of interest; and
- (b) in the case of Indexed On-Loans, the proportion that the principal amount of Indexed On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with corresponding index-linked payment obligations,

before taking into account any amount due to be paid under the On-Loan Agreement on the date of such calculation.

7.10 Partial redemptions

For the avoidance of doubt, any amounts applied pursuant to this Condition 7 (*Redemption, purchase and cancellation*) in redemption in whole or in part of the Corresponding Notes shall be applied *pro rata* as between such Corresponding Notes.

If a partial redemption of Notes is to occur while there are both Indexed Notes and Fixed Rate Notes outstanding, the aggregate Principal Amount Outstanding of a Class of Notes to be used in the calculation, in accordance with the relevant Conditions, of the relevant partial redemption amount in respect of that Class of Notes shall be the same proportion that:

- (a) the aggregate Principal Amount Outstanding of all the Notes in that Class at the end of the day before the redemption date;

bears to

- (b) the aggregate Principal Amount Outstanding of all Notes as that Note at the end of the day before the redemption date.

8. Payments

8.1 Payments in respect of Notes

Payments to the Noteholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of the Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and *provided that* the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8.4 (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8.4 (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by credit or transfer to an account denominated in Sterling with, or (in the case of Notes in definitive form only) a cheque payable in Sterling drawn on, a bank in London.

No payment of principal and/or interest in respect of a Note will be made by a transfer of funds into an account maintained by the payee in the United States or by mailing a cheque to an address in the United States.

8.2 Payments subject to fiscal laws; payments on Global Notes

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 8. No commission or expenses shall be charged to the Noteholders and Couponholders in respect of such payments.

The holder of a Global Note shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Note and the Issuer will

be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount paid.

8.3 Appointment of the Agents

The Paying Agents and the Agent Bank (the **Agents**) (and their respective specified offices) are parties to the Agency Agreement. The Agents act solely as agents of the Issuer (and, in the circumstances set out in the Agency Agreement, the Issuer Note Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

The Issuer may revoke the appointment of any Agent as its agent in relation to either Class of Notes by not less than 30 days' notice to that effect to such Agent and the Issuer Note Trustee (with a copy, other than in the case of the Principal Paying Agent, to the Principal Paying Agent) provided, however, that in respect of either Class of Notes, in the case of a Required Agent, such revocation shall not be effective until a successor thereto has been appointed by the Issuer as its agent in relation to such Class of Notes in accordance with the terms of the Agency Agreement and (in the case of the Principal Paying Agent) *provided that* not less than 30 days' notice of such appointment has been given in accordance with the Conditions.

As used above a **Required Agent** means a Principal Paying Agent, an Agent Bank, a Paying Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive and (if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place) a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

8.4 Unmatured Coupons and Receipts and Unexchanged Talons

- (a) Upon the date for redemption of any Note, unexpired Coupons and Receipts relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (b) Upon the date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (c) Where any Note is presented for redemption without all unexpired Receipts or without all unexpired Coupons and any unexchanged Talon relating to it, a sum equal to the unexpired Receipts or the aggregate amount of the missing unexpired Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Issuer may require.

8.5 Payment Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, **Payment Business Day** means any day which (subject to Condition 12 (*Prescription*)):

- (a) is, or falls after, the relevant due date;
- (b) is, or falls at least one Business Day after, the corresponding Interest Payment Date;
- (c) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (d) in the case of payment by a credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In this Condition, **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.

8.6 Talons

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 12 (*Prescription*)).

8.7 Interpretation of principal and interest

Any reference in these Conditions to **principal** in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*); and
- (b) any specific redemption price referred to in Condition 7 (Redemption, purchase and cancellation) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to **interest** in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

9. Taxation

9.1 Payments without withholding

All payments in respect of the Notes, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent or the Issuer Note Trustee) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature (**Taxes**) unless the Issuer, any Paying Agent or, where applicable, the Issuer Note Trustee is required by applicable law to make any payment in respect of the Notes, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature.

In that event, the Issuer, such Paying Agent or the Issuer Note Trustee, 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.

None of the Issuer, any Paying Agent or the Issuer Note Trustee will be obliged to make any additional payments to the Noteholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, any Paying Agent or the Issuer Note Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

9.2 FATCA withholding

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service (**FATCA withholding**). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

10. Issuer Events of Default and Enforcement Notice

10.1 Issuer Events of Default

In accordance with, and subject to, Schedule 11 of the Common Terms Agreement and the Issuer Deed of Charge, each and any of the following events shall be treated as an **Issuer Event of Default**:

(a) *Non-payment*

Default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Notes when due in accordance with the Conditions;

(b) *Breach of other obligations*

A default is made by the Issuer in the performance or observance of any obligation (other than a non-payment referred to in paragraph (a) above), condition, provision, representation or warranty binding upon or made by it under the Notes or the Issuer Transaction Documents, and except where such default is not in the opinion of the Issuer Security Trustee capable of remedy, such default continues for a period of 30 Business Days following the service of notice of default;

(c) *Insolvency*

an Insolvency Event occurs in relation to the Issuer;

(d) *Unlawfulness*

it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or respect of the Notes or the Transaction Documents;

(e) *Repudiation*

the Issuer repudiates and refuses to acknowledge its payment obligations under the Notes or any Transaction Document;

(f) *Payment default in excess of £50,000*

any Financial Indebtedness (other than the Notes) of the Issuer in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;

(g) *Creditors process*

any expropriation, attachment, sequestration, execution, distress or analogous event on the property, undertakings or assets of the Issuer is not discharged within 30 days;

(h) *Governmental intervention*

a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of the property, undertakings or assets of the Issuer;

(i) *Material Proceedings*

any litigation is started against the Issuer or its assets or revenue which would be reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;

(j) *Security*

save for each Subordinated Lender Deed of Charge, the Issuer Security ceases to be in full force and effect, or ceases to be first ranking Security or becomes unenforceable;

(k) *Change of ownership*

the occurrence of a change in the ownership of the Issuer except as permitted by the Issuer Transaction Documents;

(l) *Authorisations*

an adverse modification or withdrawal of any consents, licences, authorisations and approvals required by the Issuer to enable the consummation of the transactions constituted by the Transaction Documents which has a Material Adverse Effect; or

(m) *Unremedied DSCR Default Event*

the occurrence of a DSCR Default Event that remains unremedied (through lack of equity subscriptions or the making of additional advances under a Subordinated Loan Agreement) for a period of 21 days following either (i) the Test Date on which the Compliance Certificate was delivered that disclosed the DSCR Default Event or (ii) the date an amended Compliance Certificate (to remedy an incorrect Compliance Certificate supplied in breach of covenant (b) above), which discloses a DSCR Default Event, was provided.

10.2 Delivery of Enforcement Notice

If any Issuer Event of Default occurs and is continuing, the Issuer Security Trustee:

- (a) may, at any time, at its discretion, and
- (b) shall, upon being so directed by a resolution of the Noteholders together representing at least 25 per cent. of the Principal Amount Outstanding of the Notes,

deliver an Issuer Enforcement Notice to the Issuer *provided that*, in either case, it is indemnified and/or secured and/or prefunded to its satisfaction. Enforcement in respect of any other Security in relation to the Issuer Obligors shall be subject to and in accordance with Clause 14 (Security Enforceable) of the Issuer Deed of Charge.

10.3 Confirmation of no Issuer Event of Default

The Issuer, pursuant to the terms of the Common Terms Agreement, shall provide written confirmation to the Trustees, on a semi-annual basis (and at any other time on request of any Trustee), that no Issuer Event of Default has occurred.

10.4 Consequences of the delivery of an Issuer Enforcement Notice

Upon delivery of an Issuer Enforcement Notice in accordance with Condition 10.2 (*Delivery of Enforcement Notice*) then:

- (a) the Issuer Note Trustee may, but is not obliged unless instructed by the Issuer Security Trustee acting on the instructions of the Noteholders in accordance with the Issuer Deed of Charge (and subject to being indemnified and/or secured and/or prefunded to its satisfaction), declare all Notes then outstanding to be immediately due and repayable whereupon all Notes then outstanding shall immediately become due and repayable, in the case at their respective Principal Amount Outstanding (in the case of Indexed Notes, as adjusted in accordance with Condition 6.2 (*Application of Index Ratio*)) plus accrued but unpaid interest and, in the case of Indexed Notes, as adjusted in accordance with Condition 6.2 (*Application of Index Ratio*) and
- (b) the Issuer Security shall become enforceable by the Issuer Security Trustee in accordance with the Issuer Security Documents.

11. Enforcement against the Issuer

11.1 Restriction on enforcement by Noteholders etc.

No Noteholder, Receiptholder, Couponholder or other Issuer Secured Creditor is entitled to take any action against the Issuer or against any assets of the Issuer to enforce its rights in respect of the Notes or to enforce any of the Issuer Security unless the Issuer Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

11.2 Direction by Noteholders

The Issuer Security Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable for which it may incur by so doing, upon being so directed by Noteholders together holding or representing 25 per cent. or more of the Principal Amount Outstanding of the Notes enforce the Issuer Security in accordance with the Issuer Deed of Charge.

11.3 Non petition

No Noteholder, Receiptholder, Couponholder or other Issuer Secured Creditor nor any person acting on its behalf (other than the Issuer Security Trustee or a Receiver (including an administrative receiver) appointed by the Issuer Security Trustee) shall have any right to:

- (a) take or initiate any proceedings or steps against the Issuer to enforce the Issuer Security Documents including without limitation by way of attachment, execution or diligence;
- (b) take or join any person in taking steps against the Issuer for the purposes of obtaining payment of any amount due whatsoever from the Issuer to such Issuer Secured Creditor, including the appointment of a Receiver (including an administrative receiver appointed by the Issuer Security Trustee), *provided that* nothing shall prevent an Issuer Secured Creditor from proving for the full amount owed to it by the Issuer in the liquidation of the Issuer, or
- (c) initiate or join any person in initiating howsoever an Insolvency Event in relation to the Issuer.

12. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Note Relevant Date (as defined in Condition 5.6 (*Calculations definitions*)) in respect thereof.

13. Replacement of Notes, Coupons, Receipts and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Stock Exchange (and each other listing authority, stock exchange and or quotation system upon which the relevant Notes have then been admitted to listing, trading and/or quotation), at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Meetings of Noteholders, modification, waiver and substitution

14.1 Meetings of Noteholders

The Note Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the modification of these Conditions, the Note Trust

Deed and any other Issuer Transaction Document to which the Issuer Note Trustee is a party or in relation to the Issuer Security.

Any modification may (except in relation to any Ordinary Voting Matter or Extraordinary Voting Matter or matter giving rise to an Entrenched Right and subject to the provisions concerning ratification and/or meetings of Noteholders as set out in Condition 14.2 (*Modification, waiver and substitution*) and the Note Trust Deed)) be made if sanctioned by a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Note Trust Deed by a majority of not less than 75 per cent. of the votes cast (an **Extraordinary Resolution**) of such Noteholders. Such a meeting may be convened by the Issuer Note Trustee or the Issuer, or by the Issuer or the Issuer Note Trustee upon the request in writing of the Noteholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the relevant outstanding Notes held or represented, *provided however, that* certain proposals (the **Basic Terms Modifications**) in respect of the holders of the Notes being any proposal:

- (a) to change any date fixed for payment of principal or interest in respect a Class of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or (other than as specified in the Conditions), to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (b) to effect the exchange, conversion or substitution of a Class of Notes for, or their conversion into, shares, notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable other than pursuant to redenomination into euro pursuant to Condition 18 (*European Economic and Monetary Union*);
- (d) to alter any Issuer Priority of Payments insofar as such alteration would affect the Notes;
- (e) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend the definition of **Basic Terms Modification** or this Condition 14.1 (*Meetings of Noteholders*),

may be sanctioned only by an Extraordinary Resolution passed at a meeting of Noteholders of the Class of Notes at which one or more persons holding or representing not less than 75 per cent., or, at any adjourned meeting, one or more persons holding or representing 25 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receiptholders and Couponholders whether present or not.

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

A meeting of such Noteholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Issuer Note Trustee in connection with the exercise by the Issuer Note Trustee of any of its rights, powers and discretions under the Issuer Transaction Documents including, to appoint any persons (whether Noteholders or not) as a committee to represent the interests of such Noteholders and to confer upon such committee any powers which such Noteholders could themselves exercise by Extraordinary Resolution and, where requested by

the Issuer Note Trustee, in relation to voting or providing directions under or in connection with the Issuer Deed of Charge or the Common Terms Agreement.

This Condition 14.1 in respect of meetings are subject to the further provisions of the Note Trust Deed.

14.2 **Modification, waiver and substitution**

As set out in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders or (subject as provided below) any other Issuer Secured Creditor, concur with, or instruct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making:

- (a) any modification to the Conditions or the Issuer Transaction Documents (subject as provided in the Issuer Deed of Charge and the Common Terms Agreement in relation to the Common Documents) or other document to which it is a party or in respect of which it holds security if in the opinion of the Issuer Note Trustee such modification is made to correct a manifest error, or an error of a formal, minor or technical nature; or
- (b) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Issuer Transaction Document (subject as provided the Issuer Deed of Charge and Common Terms Agreement in relation to any Common Document) if the Issuer Note Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Noteholders of the Notes then outstanding (where **materially prejudicial** means that such modification, consent or waiver would not have a material adverse effect on the ability of the Issuer to perform its payment obligations to the Noteholders under the Issuer Transaction Documents),

provided that to the extent such modification under (b) above relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

As more fully set out in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders (subject as provided below) or any other Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Issuer Event of Default, from time to time and at any time but only if and in so far as in its opinion such waiver would not be materially prejudicial (as defined above) to the interests of the holders of the Notes then outstanding:

- (1) waive or authorise (or instruct the Issuer Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Conditions or any Issuer Transaction Document to which it is a party or in respect of which it holds security or determine that any event which would otherwise constitute an Issuer Event of Default shall not be treated as such for the purposes of the Note Trust Deed and/or
- (2) instruct the Issuer Security Trustee to take any action under the Issuer Transaction Documents,

provided that to the extent such event, matter or thing relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent and *provided further that* the Issuer Security Trustee shall not exercise such powers in contravention of any express direction given by Noteholders representing not less than 25 per cent. in aggregate of the principal amount of the Notes then outstanding) but no such direction or request shall affect any waiver or authorisation previously given or made or so as to authorise or waive any such proposed breach or breach relating to any Basic Terms Modification.

Any such modification, waiver or authorisation shall be binding on the Noteholders of each relevant Class and the holders of all relevant Receipts and Coupons and, in relation to any modification, waiver or authorisation given by the Issuer Security Trustee, the other Issuer Secured Creditors and, unless the Issuer Note Trustee agrees otherwise, notice thereof shall be

given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

As more fully set forth in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders or any other Issuer Secured Creditor, also agree with the Issuer to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Note Trust Deed and the Notes.

15. Notices

Notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Ireland (which is expected to be the Irish Times).

The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Couponholders and Receipholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Notes in accordance with this Condition 15 (*Notices*).

So long as any Notes are represented by Global Notes, notices in respect of those Notes may be given only by delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in Europe. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such clearing systems.

If, in the opinion of the Issuer Note Trustee, publication as provided above is not practicable, a notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the related Note or Notes, with the Principal Paying Agent.

16. Issuer Note Trustee protections

16.1 Trustee considerations

Subject to Condition 16.2 (*Exercise of rights by Issuer Note Trustee*), in connection with the exercise, under these Conditions or any Issuer Transaction Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Issuer Note Trustee shall have regard to the interests of the holders of the Notes then outstanding as a class *provided that*, if, in the Issuer Note Trustee's opinion, there is a conflict of interest between the holders of one or more Classes of Notes, it shall have regard to the interests of the holders of the Class then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Class of Notes or for individual Noteholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Issuer Note Trustee shall not be entitled to require from the Issuer, nor shall any Noteholders be entitled to claim from the Issuer or the Issuer Note Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Noteholders of any such exercise.

16.2 Exercise of rights by Issuer Note Trustee

Subject as provided in these Conditions and the Note Trust Deed, the Issuer Note Trustee will exercise its rights under, or in relation to, the Note Trust Deed, the Conditions, and any Issuer Transaction Documents in accordance with the directions of the relevant Noteholders, but the

Issuer Note Trustee shall not be bound as against the Noteholders to take any such action unless it has:

- (a) either (1) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes outstanding or (2) been so directed by an Extraordinary Resolution; and
- (b) been indemnified and/or secured and/or prefunded to its satisfaction.

17. Indemnification of the Issuer Note Trustee and the Issuer Security Trustee

17.1 Indemnification

The Note Trust Deed contains provisions for indemnification of the Issuer Note Trustee and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Issuer Deed of Charge contains provisions for indemnification of the Issuer Security Trustee and for its relief from responsibility, including provisions relieving it from enforcing the Issuer Security unless it has been indemnified and/or secured and/or pre-funded to its satisfaction.

Each of the Issuer Note Trustee and the Issuer Security Trustee or any of their affiliates (as defined in the Common Terms Agreement) are entitled to enter into business transactions with the Issuer, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

Save as otherwise provided in these Conditions or any Issuer Transaction Document the Issuer Security Trustee will only be required to take any action under or in relation to, or to enforce or protect the Issuer Security, or a document referred to therein, if so directed by an Extraordinary Resolution of the holders of the then outstanding Notes or if so requested in writing by holders of at least 25 per cent. in nominal amount of the holders of any Class of the then outstanding Notes and in all cases if indemnified and/or secured and/or pre-funded to its satisfaction.

17.2 Directions, duties and liabilities

The Issuer Note Trustee, in the absence of its own wilful default, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Noteholders shall not in any way be responsible for any Liabilities (as defined in the Common Terms Agreement), which may result from the exercise or non exercise of any consent, waiver, power, trust, authority or discretion vested in the Issuer Note Trustee pursuant to these Conditions, any Issuer Transaction Document or any ancillary document.

18. European Economic and Monetary Union

18.1 Notice of redenomination

The Issuer may, without the consent of the Noteholders, and on giving at least 30 days' prior notice to the Noteholders, the Issuer Note Trustee and the Principal Paying Agent, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Notes falling on or after the date on which the UK becomes a Participating Member State.

18.2 Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (a) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended, (including compliance with rules relating to rounding in accordance with European Community regulations), *provided, however, that*, if the Issuer determines, with

the agreement of the Issuer Note Trustee, that the then current market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Stock Exchange and any stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;

- (b) if Notes have been issued in definitive form:
 - (1) all Notes will become void with effect from the date (the **Euro Exchange Date**) on which the Issuer gives notice (the **Euro Exchange Notice**) to the Noteholders and the Issuer Note Trustee that replacement Notes denominated in euro are available for exchange (*provided that* such Notes are available) and no payments will be made in respect thereof;
 - (2) the payment obligations contained in all Notes will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 18) shall remain in full force and effect; and
 - (3) new Notes denominated in euro will be issued in exchange for the Notes in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (c) all payments in respect of the Notes (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 cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
- (d) a Note may only be presented for payment on a day which is a Business Day in the place of presentation.

18.3 Interest following redenomination

Following redenomination of the Notes pursuant to this Condition 18, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01.

19. Limited Recourse

If at any time following:

- (a) the occurrence of either:
 - (1) the Final Maturity Date or any earlier date upon which all of the Notes are due and payable or are otherwise redeemed in full; or
 - (2) the service of an Issuer Enforcement Notice in accordance with Condition 10.2 (*Delivery of Enforcement Notice*); and
- (b) realisation of the Issuer Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes and to the other Issuer Secured Creditors in accordance with the Issuer Post-Enforcement Priority of Payments as set out in the Issuer Deed of Charge,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Issuer Priority of Payments, to pay in full all amounts then due and payable by the Issuer under any Notes or any Transaction Document then the

amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Notes or such Transaction Document(s) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition **Realisation** shall mean, in relation to any Issuer Charged Property, the deriving to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Issuer Charged Property including (without limitation) through sale or through performance by the Issuer.

20. Miscellaneous

20.1 Governing law

The Note Trust Deed, the Issuer Deed of Charge, the Notes, the Receipts, the Coupons, the Talons (if any) and the other Issuer Transaction Documents are, and all non-contractual or other obligations arising from or in connection with such documents shall be governed by English law.

20.2 Jurisdiction

The Issuer has, in the Note Trust Deed, irrevocably agreed for the benefit of the Issuer Note Trustee, the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Note Trust Deed, the Notes, the Receipts or the Coupons (including a dispute relating to non-contractual obligations arising out of or in connection with the Note Trust Deed, the Notes, the Receipts or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Note Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Issuer Note Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Note Trust Deed, the Notes, the Receipts or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Note Trust Deed, the Notes, the Receipts or the Coupons) (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

20.3 Third party rights

No person shall have any right to enforce any term or condition of the Notes or the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

20.4 Rights Against Issuer

Under the Note Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Notes will (subject to the terms of the Note Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

20.5 Clearing System Accountholders

References in these Conditions to **Noteholder** are references to the bearer of the relevant Global Note.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Note (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of

each payment made by the Issuer to such Accountholder and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer.

FORMS OF THE NOTES

The following includes a summary of certain provisions of the Note Trust Deed and the Agency Agreement and is qualified by reference to the detailed provisions thereof. The Note Trust Deed and the Agency Agreement are not, however, incorporated by reference into, and therefore do not form part of, this Prospectus.

Temporary Global Note

The Notes will be in bearer new global note (NGN) form. The Indexed Notes will be initially issued in the form of a temporary global note (a **Temporary Global Indexed Note**) and the Fixed Rate Notes will be initially issued in the form of a temporary global note (a **Temporary Global Fixed Rate Note**) (each such temporary global note being a **Temporary Global Note**) each without Receipts, Coupons or Talons attached, which will be delivered on or prior to the Issue Date to a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper but does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Noteholders should note that the European Central Bank has applied a temporary extension of Eurosystem eligibility to Sterling denominated securities, the effective date for this temporary extension being 9th November, 2012. However, should this extension cease at any time during the life of the Notes, the Notes will not be in a form which can be recognised as eligible collateral.

Temporary Global Note exchangeable for Permanent Global Note

On and after the date which is 40 days after the Temporary Global Notes are issued (the **Exchange Date**) interests in Temporary Global Indexed Note the Temporary Global Fixed Rate Note will be exchangeable (free of charge) upon a request as described therein for interests recorded in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in a permanent global note (the **Permanent Global Indexed Note** and **Permanent Global Fixed Rate Note**, respectively, and each such permanent global note being a **Permanent Global Note** (and such Permanent Global Note shall be in the form of an NGN) and, together with each Temporary Global Note, the **Global Notes**), against certification of beneficial ownership as described below unless such certification has already been given. A holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in the relevant Permanent Global Note is improperly withheld or refused.

Whilst the Notes are represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in that Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the specified office of the Principal Paying Agent; and.

- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the aggregate initial principal amount of the Temporary Global Note and any Temporary Global Note representing a fungible Class of Notes with the Class of Notes represented by the first Temporary Global Note.

Payments of principal, interest (if any) or any other amounts on the Permanent Global Notes will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

Global Note exchangeable for Definitive Notes

The Global Notes will be exchangeable (free of charge), in whole but not in part, for definitive Notes with receipts, coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that:

- (a) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Issuer Note Trustee is available; or
- (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the relevant Global Note in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Global Note to the bearer of the Global Note against the surrender of the Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denominations only. Noteholders who hold Notes in the relevant Clearing System in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Note) or the Issuer Note Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange will occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Conditions applicable to the Notes

The Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Conditions set out under *Terms and Conditions of the Notes*. The Conditions applicable to any Global Note will differ from those Conditions which would apply to the Definitive Note to the extent described under *Provisions Relating to the Notes while in Global Form*.

Legend concerning United States persons

Global Notes and Definitive Notes and any Receipts, Coupons and Talons appertaining thereto will bear a legend to the following effect:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.

The sections referred to in such legend provide that a United States person who holds a Note, Receipt, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Provisions Relating to the Notes while in Global Form

Global Notes will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions of the Notes as set out in this Prospectus. The following is a summary of certain of those provisions:

Payments

On each occasion of a payment in respect of a Global Note the Principal Paying Agent will instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

Meetings

The holder of a Global Note shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.

Cancellation of Notes

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption, purchase or forfeiture will be effected by entry in the records of Euroclear or Clearstream, Luxembourg, as the case may be.

Notices to Noteholders

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Noteholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Noteholders on the date of delivery to such clearing systems.

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by any Noteholder may be given to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Accountholders

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (the **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person will be conclusive and binding for all purposes save in the case of manifest error) will be treated as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note will be treated as the holder of

such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions will be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Issuer Note Trustee may rely on such evidence and/or information and/or certification as it will, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification will, in the absence of manifest error, be conclusive and binding on all concerned.

Transfer

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

Denominations

The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Prescription of claims in relation to Notes

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Note Relevant Date.

BOOK-ENTRY CLEARANCE PROCEDURE

The information set out below has been obtained from the Clearing Systems (as defined in this Prospectus) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from publicly available information and as far as the Issuer is aware and is able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of each Class of the Notes and cross-market transfers of the Notes associated with secondary market trading. Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (**Direct Participants**) or indirectly (**Indirect Participants** and together with Direct Participants, **Participants**) through organisations which are accountholders therein.

Book-entry ownership

Each Global Note will have an ISIN and a common code and will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid.

Settlement and transfer of Notes

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the **Beneficial Owner**) will in turn be recorded on the Direct Participant and Indirect Participant's records. Transfers of ownership interests in Notes held within the Clearing System will

be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a Clearing System are exchanged for Definitive Notes.

TAX CONSIDERATIONS

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HMRC practice relating to certain aspects of United Kingdom taxation as at the date of this Prospectus. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change at any time in the future, possibly with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as legal or tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective Noteholder.

Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers. Prospective Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers 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 Notes.

Interest on the Notes

Payment of interest on the Notes

Payments of interest by the Issuer on the Notes may be made without deduction of or withholding on account of United Kingdom income tax *provided that* the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for these purposes. The Notes 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. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company (e.g. the Issuer) and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes 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* HMRC 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 other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers, in certain circumstances, to obtain information about: certain payments of interest, payments derived from securities (whether income or capital) and securities transactions.

The persons from whom HMRC can obtain information include: a person by or through whom interest is paid or credited, each registered or inscribed holder of securities, a person who receives (or is entitled to receive) a payment derived from securities,; a person who makes such a payment (received from, or paid on behalf of, another person); a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others, registrars or administrators in respect of securities transactions.

The information HMRC can obtain includes: in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid, in relation to payments derived from securities, details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); and in relation to securities transactions; information and documents relating to securities transactions. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the Directive) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or 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, Luxembourg and Austria are instead required (unless during that period they elect otherwise) 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). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the holder of the Notes or to otherwise compensate the holder of the Notes for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax.

Further United Kingdom income tax issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

Stamp Duties

No stamp duty, capital duty, stamp duty reserve tax or other similar tax is payable in the United Kingdom on the issue or transfer of any Note by delivery.

United Kingdom corporation tax payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom tax payers

Taxation of chargeable gains

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Noteholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. The purchaser of such a Note should be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Notes.

NOTE PURCHASE AND SALE

The Arranger and the Dealer have, pursuant to a note purchase agreement (the **Note Purchase Agreement**) dated 26 February 2014, agreed to purchase the Notes at the issue price of 100 per cent. of the nominal amount of the Notes. The Issuer has agreed separately a fee with the Arranger and the Dealer and shall also reimburse the Arranger and the Dealer in respect of certain of their expenses. In addition, the Issuer has agreed to indemnify each of the Arranger and the Dealer against certain liabilities, incurred in connection with the issue of the Notes. The Note Purchase Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States of America

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States 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) (**US Persons**), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act 1940.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations.

The Notes will be offered, sold and delivered only outside the United States, to persons who are not U.S. persons, in offshore transactions in reliance on Regulation S.

The Dealer has agreed that it has offered and sold, and it will offer and sell, Notes (a) as part of its distribution at any time and (b) otherwise until 40 days after the completion of the distribution of an identifiable Class of which such Notes are a part, as determined and certified to the Principal Paying Agent by the Dealer, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Notes to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales.

Until 40 days after the commencement of the offering of any Notes, any offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Due to the restrictions set forth above, purchasers of the Notes are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Notes.

Terms used above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

The Dealer 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 Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the AssetCos; 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 Notes in, from or otherwise involving the United Kingdom.

General

The Dealer has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries.

The Note Purchase Agreement provides that the Arranger and the Dealer shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Note Purchase Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Arranger and the Dealer described in the paragraph above.

None of the Issuer, the AssetCos, the Issuer Note Trustee or the Arranger represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Transaction and the issue of Notes thereunder have been duly authorised by resolutions of the boards of directors of CLV, the Issuer, HoldCo and each AssetCo passed at meetings of the respective boards held on 25th/26th February 2014. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Listing of Notes

It is expected that the Notes will be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market on or about the Issue Date, subject only to the issue of Temporary Global Notes initially representing the Notes. The listing of the Notes is expected to be granted on or around 28 February 2014 and the estimated aggregate cost of the foregoing applications for admission to the Official List of the Irish Stock Exchange and admission to trading on its regulated market is €10,000.

For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market, the Issuer will maintain a Paying Agent in the EEA.

Documents available

For so long as the Transaction remains in effect or any Notes shall be outstanding, copies of the following documents in physical form (when published) are available for inspection and for the taking of copies or extracts by Noteholders during normal business hours at the specified office of the Principal Paying Agent and at the registered office of the Issuer Note Trustee:

- (a) the Memorandum and Articles of Association of the Issuer, HoldCo and each AssetCo;
- (b) this Prospectus;
- (c) the Note Trust Deed;
- (d) the Agency Agreement;
- (e) the Common Terms Agreement;
- (f) the On-Loan Agreement;
- (g) the Subordinated Loan Agreements;
- (h) the O&M Contracts;
- (i) the Monitoring Services Agreement;
- (j) the Issuer Deed of Charge;
- (k) the HoldCo Asset Charge;
- (l) each Subordinated Lender Deed of Charge;
- (m) each AssetCo Debenture;
- (n) each AssetCo Mortgage;
- (o) the AssetCo Guarantee;
- (p) the Account Bank Agreement;
- (q) the House Bank Agreement;
- (r) the Custody Agreement;

- (s) the Cash Administration Agreement;
- (t) the Management Services Agreement;
- (u) the Tax Deed of Covenant and
- (v) the Valuation Reports.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and the Common Code for the Indexed Notes are XS1032868082 and 103286808, respectively. The ISIN and the Common Code for the Fixed Rate Notes are XS1032868595 and 103286859, respectively.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

No Material Change

There has been no material adverse change in the prospects nor any significant change in the financial or trading position of the AssetCos since the date of their incorporation.

There has been no material adverse change in the prospects nor any significant change in the financial or trading position of the Issuer Obligors since the date of their incorporation.

Litigation

None of the Issuer Obligors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which they are respectively aware) since the date of their incorporation.

None of the AssetCos is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which they are respectively aware) since the date of their incorporation.

Availability of Financial Statements

For so long as the Notes are admitted to the Irish Stock Exchange's Official List and trading on its regulated market, the most recently published audited annual accounts of each AssetCo and the Issuer will be available at the specified office of the Principal Paying Agent. The AssetCos and Issuer do not publish interim accounts.

Legend

The Notes, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code. The sections referred to in such legend provide that a United States person who holds a Note, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Information in respect of the Notes

The Indexed Interest Rate and the Fixed Interest Rate of the Notes will be determined on or before the Issue Date prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to the Notes.

Websites

Any website mentioned in this Prospectus does not form part of this Prospectus.

Arranger and Dealer transacting with the Issuer Obligors or the AssetCos

The Arranger, the Dealer and each of their Affiliates may in the future engage in corporate finance, investment banking and/or commercial banking transactions with, and may perform services for, the Issuer Obligors and/or the AssetCos and their respective Affiliates in the ordinary course of business.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

INDEX OF DEFINED TERMS

The following terms used in this Prospectus are defined on the page number specified below:

£	5	Class	1, 196
Acceptable Bank	121	Clearing Systems	230
Access Road	35	Clearstream, Luxembourg	1, 226
Access Road Owner	35	CLFM	63
Account Bank	16, 165	CLOT	62
Account Bank Agreement	16	CLV	2, 10, 14
Accountholder	225, 228	CLV Group	62
Accounting Standards	121	Collection Account	147
Actual/Actual (ICMA)	202	Common Documents	112, 197
Addition Criterion	180	Common Terms Agreement	197
Additional Property	180	Companies Acts	122
Affiliate	121	Compliance Certificate	122
Agency Agreement	17, 196	Conditions	196
Agent Bank	17, 196	Connected Creditor	123
Agents	214	Corresponding Notes	213
Allocated On-Loan Amount	213	Couponholders	198
Annual Lifecycle Budget	159	Coupons	198
anticipate	5	CRD IV	51
Appointee	121	CRM	74
Approved Valuer	139	CRR	50
Arranger	18, 197	Cumulative Partial Prepayment Limit	173
Articles 405 to 409	50	Custodian	17, 167
Asset Lifecycle Report	159	Custody Account	17
AssetCo	196	Custody Accounts	167
AssetCo	1, 8, 15	Custody Agreement	17
AssetCo Account	147	Custody Sub-Account	167
AssetCo Accounts	147	Damage	77
AssetCo Debenture	16, 183	Damage Deposit Account Holder	123
AssetCo Default	147	Damage Deposit Amounts	123
AssetCo Documents	171, 197	date for payment	206
AssetCo Enforcement Notice	186	Dealer	18, 197
AssetCo Event of Default	145	Debt Service	176
AssetCo Finance Documents	175	Debt Service Reserve Account	147
AssetCo Guarantee	11	Debt Service Reserve Amount	11, 176
AssetCo Guarantor Surplus Cash	148	Decision Period	116
AssetCo Mortgage	187	Deed of Charge	112
AssetCo Secured Creditors	185	Default	144
AssetCo Secured Liabilities	183	Default Historic DSCR	176
AssetCo Security	11, 185, 199	Default Projected DSCR	176
AssetCo Security Documents	171, 199	Definitive Notes	1
AssetCo Security Trustee	1, 16, 196	Designated AssetCo	166
AssetCos	196	Desk Top Valuation Report	139
AssetCos	1, 8, 15	Diligence Report	72
Assigned Accounts	121	Direct Participants	230
Assigned Agreements	121	Discretion Matter	116
AST	81	Distribution	123
Authorised Investment Profit	153	Distribution Account	147
Authorised Investments	153	DSCR Default Event	176
Authorised Signatory	122	DSRA Loan	151
Base Index Figure	205	Enforcement Action	161
Basel III	50	Entrenched Rights	116
Basic Terms Modification	220	Environmental Approvals	123
Basic Terms Modifications	219	Environmental Claim	123
believe	5	Environmental Law	123
Beneficial Owner	230	Environmental Permits	123
Birmingham Property	8	Equity Lock-Up Ratio	177
Birmingham Property Scheme Agreement	83	estimate	5
BOL	83	EU Savings Directive	43
Budgeted Operating Expenditure	122	euro	202
Business Day	202, 215	Euro Exchange Date	223
Calculation Amount	202	Euro Exchange Notice	223
Calculation Period	202	Euroclear	1, 226
capital markets exception	44	Even Handed Basis	81
Cash Administration Agreement	16, 164	Event of Default	144
Cash Administrator	16	Exchange Date	1, 226
Cash Equivalent	122	Exchange Event	227
Cash Sub-Account	167	Existing Property Managers	74
Category Determination Date	162	expect	5
Central Bank	1	Expert	207
Certificate	71	Extraordinary Resolution	23, 219
Certificates	71	Extraordinary Voting Matters	117

FATCA	42	Interest Rate.....	203
FATCA withholding	216	Interim Distribution Conditions.....	152
FFI.....	42	Interim Distribution Date	152
Final Discharge Date	113	Interim Site Visit	159
Final Maturity Date.....	1, 19, 203	Intra-Group Debt.....	125
Final Repayment Date	172	Intra-Group Debt Documents.....	125
Final Test Date.....	144	Investment Proceeds.....	153
Financial Indebtedness.....	123	Irish Stock Exchange.....	1
Financial Statements.....	124	IRS.....	42
Financial Year.....	124	ISC Direction Matter.....	163
Financing Rights	160	ISC Recommendation Matter.....	163
First Repayment Date Priority Amounts.....	155	ISC Rejected Proposal.....	163
Fixed Benchmark Gilt.....	202	Issue Date	1, 18, 196
Fixed Benchmark Gilt Yield.....	202	Issuer	1, 14, 196
Fixed Interest Rate	203	Issuer Account.....	147
Fixed Rate Commitment.....	171	Issuer Charged Property.....	113
Fixed Rate Loan On-Loan	171	Issuer Deed of Charge.....	15, 196
Fixed Rate Notes.....	18, 196	Issuer Default	145
Fixed Rate Notes.....	1	Issuer Enforcement Notice.....	114
Frathouse.....	74	Issuer Event of Default.....	144, 216
FSMA.....	235	Issuer Note Trustee	15, 196
Full Site Visit.....	158	Issuer Obligor	14
Full Valuation Report	139	Issuer Obligors	14
Fund	62	Issuer Post-Enforcement Priority of Payments.....	114
General Proceedings	143	Issuer Pre-Enforcement Priority of Payments	114
Global Notes	226	Issuer Priority of Payments.....	114
Governmental Authority	32	Issuer Secured Creditors	113, 196
Greenwich O&M Contract	75	Issuer Secured Liabilities	199
Greenwich Property	8	Issuer Security	10, 196, 199
Greenwich Property Scheme Agreement	86	Issuer Security Documents.....	112, 199
Gross Revenues.....	176	Issuer Security Trustee.....	15, 196
Group	15	Issuer Transaction Documents	112, 197
Guaranteed Obligations	188	Leeds 1 Property	8
Guarantor	188	Leeds 1 Property Scheme Agreement.....	92
HEFCE.....	26	Leeds 2 Property	8
Historic DSCR	177	Leeds 2 Property Scheme Agreement.....	94
Historic DSCR Adjustment	177	Lifecycle Period	159
Historic DSCR Annualised Shortfall.....	177	Lifecycle Report.....	159
Historic Test Period.....	144	listed	1
HoldCo.....	14	Liverpool Property	9
HoldCo Asset Charge	10, 120	Liverpool Property Scheme Agreements.....	98
holder	198	Liverpool Property Scheme No.1 Agreement.....	97
Holder	198	Liverpool Property Scheme No.2 Agreement.....	98
holder of Notes.....	229	LJM University	97
Holding Company.....	124	Lock-Up Event	144
House Bank.....	16, 183	LPI Annual Ratio	205
House Bank Agreement.....	16	LSTM	98
HSE.....	33	MA Proposal Request	37, 162
IFRS	124	Majority Noteholder Representative.....	162
Indemnified Party	157	Management Services Agreement	18
Index	205	Management Services Provider	18, 169
Index Event	211	Manchester Property	9
Index Figure.....	205	Master Definitions Schedule.....	121
Index Ratio.....	205	Material Adverse Effect	125
Indexation Adviser.....	203	Material Entity.....	126
Indexed Benchmark Gilt.....	203	Material Property Document.....	141
Indexed Benchmark Gilt Yield.....	203	materially prejudicial	39, 221
Indexed Commitment	171	Minimum Partial Prepayment Amount.....	173
Indexed Interest Rate	203	Minimum Short Term Rating.....	126
Indexed Notes	1, 18, 196	MNR Direction Matter	37, 162
Indexed On-Loan	171	MNR Notice	162
Indirect Participants.....	230	Monetary Claims.....	126
Initial Test Date	144	Monitored Activity.....	126
Insolvency Act	44, 124	Monitoring Adviser.....	17, 195
Insolvency Event.....	124	Monitoring Adviser Recommendation	37, 162
Insolvency Official	125	Monitoring Adviser Services	155
Insolvency Proceedings	125	Monitoring Adviser Standard.....	156
Instalment Amount	201, 208	Monitoring Services Agreement	17
Insurance Proceeds	152	Monitoring Trigger Event	143
Insurance Proceeds Account.....	147	Monitoring Trigger Event Remedy.....	144
intend.....	5	Moody's	5
interest.....	216	Mortgaged Property	188
Interest Amounts.....	201	MSP Fee.....	169
Interest Determination Date.....	203	MSP Share.....	170
Interest Payment Date.....	1, 19, 203	Multi AssetCo	8
Interest Period	1, 203	Multi O&M Contract.....	75

Net Cash Flow	177	Property Expenditure	178
Newport Property	9	Property Framework	32
NGN	226	Property Portfolio	8
Nominated Financial Adviser	203	Property Scheme	9
Non-Performing AssetCo	146, 190	Property Scheme Agreements	10
Non-Performing AssetCo Enforcement Rights	190	Property Schemes	81
Note Purchase Agreement	196, 235	Property Universities	9
Note Relevant Date	203	Property University	9
Note Trust Deed	15, 196	Proposal Request	116
Noteholder	198, 225, 229	Prospectus	1
Noteholder's Currency	51	Prospectus Directive	1
Notes	1, 18, 196	provisional payment	207
Notes Proceeds Amount	148	Realisation	224
Notice Period	157	Receiptholders	198
Notional Holder	156	Receipts	198
Nottingham O&M Contract	75	Receiver	128
Nottingham Property	9	Redemption Amount	204
O&M	14	Redemption Date	205
O&M Contract	10, 11, 18, 74	Redenomination Date	223
O&M Provider	10, 18	Reference Date	211
O&M Services	75	Reference Month	205
O&M Sub-Contracts	74	Regular Period	204
Obligor Security	199	Regulatory Direction	128
Official List	1	Related Rights	128
OGIL	88	Relevant Index Figure	205
On-Loan	1, 171	relevant month	206
On-Loan Agreement	1, 171	relevant persons	2
On-Loan Commitment	171	Relevant Property	158
On-Loans	1	Relevant Property O&M Amount	77
ONS	49	Relevant Property O&M Calculation Amount	77
Opal	9, 70	Relevant Property O&M Share	77
Opal Administrators	70	Relevant Proportion	213
Opal SPV1	97	Relevant Securities	156
Opal Subsidiaries	9, 70	relevant time	45
Operating Account	147	remaining balance	155
Operating Account Priority of Payments	154	Rent Collection Account	10, 147
Operating Budget	126	Rental Income	10
Opex Account	147	Repayment Account	147
Optima	82	Repayment Date	172
Order	2	Replaced Net Income	180
Ordinary Voting Matters	117	Replaced Property	179
OSAL	92	Required Agent	169, 214
Other O&M Contracts	75	Required Filings	128
Participants	230	Reservations	128
Participating FFI	42	Reserve Account	147
Participating Member State	203	Re-tendering Date	158
Participating Member States	203	RPI	205
Paying Agents	196	S&P	5
Payment Business Day	215	Securities Act	3
Payment Date Amounts	148	securitisation	4
Payment Date Liabilities	148	securitisation position	50
Permanent Global Fixed Rate Note	226	Security Documents	171, 199
Permanent Global Indexed Note	226	Security Trustee	16
Permanent Global Note	226	Security Trustees	16
Permitted Acquisitions	126	Services	169
Permitted Business	127	Shortfall AssetCo	148
Permitted Disposal	127	should	5
Permitted Financial Indebtedness	127	Signing Date	196
Permitted Guarantee	127	Single AssetCo	8
Permitted Loan	128	Sinking Fund Account	147
Permitted Security Interest	128	Sinking Fund Required Amount	151
Potential AssetCo Event of Default	147	Site Visit	158
Potential Issuer Event of Default	145	small company	47
pound	5	Specified Denomination	18, 197
Preferential	81	Specified Office	129
principal	215	sterling	5
Principal Amount Outstanding	204	Sterling	5
Principal Paying Agent	17, 196	Stock Exchange	204
Proceedings	225	Subordinated Lender	14, 181
project	5	Subordinated Lender Deed of Charge	120
Projected DSCR	178	Subordinated Lenders	14, 181
Projected Lifecycle Maintenance Costs	159	Subordinated Loan	14, 181
Projected Test Period	144	Subordinated Loan Agreement	14, 181
Properties	9	Subsidiary	129
Property	9	subsidiary undertaking	129
Property Documents	10	Substitute Net Income	180

Substitute Property.....	179	Transaction	1
Substitution Availability Period.....	179	Transaction Documents.....	112, 197
Substitution Criteria.....	180	Transfield Holdings.....	63
Substitution Trigger Ratio	179	Treasury Transaction.....	129
sub-unit	204	Trigger Level 1.....	143
Supplementary Assets.....	70	Trigger Level 2.....	143
Surplus Cash	148	Trust Documents	15, 196
Talonholders	198	Trustee	16
Talons.....	198	Trustees	16
Tax	129	UK Government Gilt.....	204
Tax Authority.....	129	unit.....	201
Tax Deed of Covenant	170	US Persons	235
Taxes	211, 216	Valuation Reports.....	111
Temporary Global Fixed Rate Note	226	Valuer	2, 111
Temporary Global Indexed Note	226	VAT	129
Temporary Global Note.....	226	VAT Group	129
Test Date	144	VAT Grouping Legislation	129
Touchstone	74	VATA	129

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