

## IMPORTANT NOTICE

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

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. IN ADDITION, NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the bookrunners or any affiliate of the bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this email has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to 49(2)(d) of the Financial Services and Markets Act (Financial Promotion) Order 2005.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Student Finance plc (the **Issuer**), Barclays Bank PLC (**Barclays**), HSBC Bank plc (**HSBC**) or RBC Europe Limited (**RBC Capital Markets** and, together with Barclays and HSBC, the **Arrangers** and each an **Arranger**, or the **Bookrunners** and each a **Bookrunner**) nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Barclays, HSBC or RBC Capital Markets.

**Student Finance plc**  
(incorporated in England and Wales with limited liability under registration number 10456685)  
**£215,000,000 2.6663 per cent. secured Notes due 2029**  
(the Notes)

This prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended) (the **Prospectus Directive**). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Public Limited Company (the **Irish Stock Exchange**) for the Notes of Student Finance plc (the **Issuer**) to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and to trading on its regulated market.

The Notes will be issued on 7 March 2017 or such later date as may be agreed by Barclays Bank PLC (**Barclays**), HSBC Bank plc (**HSBC**) and RBC Europe Limited (**RBC Capital Markets**) and, together with Barclays and HSBC, the **Arrangers** and each an **Arranger**, or the **Bookrunners** and each a **Bookrunner**, the Issuer and US Bank Trustees Limited (the **Note Trustee**, which expression shall include its successors and assignees and each person from time to time acting as note trustee under the Note Trust Deed (as defined below)) (the **Closing Date**). The primary source of funds for the payment of principal, interest and other amounts by the Issuer on the Notes will be the right of the Issuer to receive interest and principal repayments and (in respect of the first and subsequent Loan Interest Payment Dates) fees payable under the loan made by the Issuer to GL Europe RE Holdings S.à r.l. (the **Borrower**) on the Closing Date (the **Initial Issuer/Borrower Loan**) and the further loans (together with the Initial Issuer/Borrower Loan, the **Issuer/Borrower Loans**) to be made by the Issuer to the Borrower on the dates of the issue of any Further Notes, Replacement Notes or New Notes after the Closing Date. The primary source of funds for payment of principal, interest and other amounts by the Borrower on the Issuer/Borrower Loans will be dividends and capital reductions within the Group and the right of the Borrower to receive interest and principal repayments and certain fees payable under the loans made by the Borrower, or loans advanced to the Borrower, from time to time to and/or by (as applicable) the Propcos and other Obligor(s) (each an **Intra-Group Loan**). The primary source of funds for payment of principal, interest and fees by the Propcos on or for the advance of the Intra-Group Loans will be the Propcos' right to receive rental payments from time to time in respect of a portfolio of student accommodation properties (the **Property Portfolio**).

The Notes will be issued in registered form, represented by a Global Note (as defined below) which will be deposited with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**) on or about the Closing Date, and registered in the name of a nominee of the common safekeeper. Save in certain limited circumstances, Notes in definitive form will not be issued in exchange for the Global Note.

Interest on the Notes is payable by reference to successive interest periods (which are not modified in accordance with the business day convention set out at Condition 5.2) (each a **Note Interest Period**). Interest will be payable semi-annually in arrear on 15 June and 15 December in each year (as modified in accordance with the business day convention set out in Condition 5.2) commencing on the Note Interest Payment Date occurring on 15 June 2017 provided that: (i) the first Note Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Note Interest Payment Date occurring on 15 June 2017; (ii) the final Note Interest Payment Date will occur on 30 September 2029 (the **Note Final Maturity Date** unless the Notes are redeemed in full on or prior to 30 September 2024 (the **Note Expected Maturity Date**) or prior to the Note Final Maturity Date); and (iii) the final Note Interest Period will commence on (and include) 15 June 2029 and end on (but exclude) the Note Final Maturity Date or (if the Notes are redeemed in full on the Note Expected Maturity Date) commence on (and include) 15 June 2024 and end on (but exclude) the Note Expected Maturity Date (as applicable). Interest on the Notes will accrue at an annual rate of 2.6663 per cent. Payments of interest in respect of the Notes are further described herein and, in particular, in Condition 5 (Interest) of the terms and conditions of the Notes reproduced herein in the section entitled "**Terms and conditions of the Notes**" (the **Conditions**).

The Notes will mature on the Note Final Maturity Date unless previously redeemed in accordance with the Conditions. In addition to repayment of the Notes on the Note Final Maturity Date, the Notes will be subject to mandatory redemption and/or optional redemption in whole or in part before the Note Final Maturity Date in certain circumstances, and subject to the terms and conditions, set out in the Conditions.

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

The Notes will be limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by the Issuer Holdco, the Borrower, the Obligor(s), the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee, the Issuer LF Providers, the LF Agent, the Asset Manager, the Obligor Account Bank, the Issuer Cash Manager, the Issuer Account Bank, the Arrangers, the Bookrunners, the Principal Paying Agent or the Corporate Services Provider (each as defined herein) (the **Relevant Persons**). The indebtedness of the Borrower (including under the Initial Issuer/Borrower Loan) will be secured over all of the assets and undertaking of each of the Obligor(s), all as more particularly described below. The Notes will be secured over all of the assets and undertakings of the Issuer, which will include its rights under the Initial Issuer/Borrower Loan and the security therefor, all as more particularly described below.

The Notes are expected on issue to be assigned a "BBB(sf)" rating by Standard & Poor's Credit Market Services Europe Limited (**S&P**), together with any other rating agencies appointed by the Issuer from time to time to provide credit ratings for the Notes (the **Rating Agencies**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, S&P is established in the European Union (**EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation.

Particular attention is drawn to the section of this Prospectus entitled "**Risk factors**".

<b>BARCLAYS</b>	<b>ARRANGERS</b>	
	<b>HSBC</b>	<b>RBC CAPITAL MARKETS</b>
	<b>BOOKRUNNERS</b>	
<b>BARCLAYS</b>	<b>HSBC</b>	<b>RBC CAPITAL MARKETS</b>

Prospectus dated 28 February 2017

## INVESTOR NOTICES

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO ANY U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE NOTES ARE BEING OFFERED FOR SALE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT. SEE THE SECTION OF THIS PROSPECTUS ENTITLED "*SUBSCRIPTION AND SALE; TRANSFER RESTRICTIONS*".

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

Barclays Bank PLC, HSBC Bank plc and Royal Bank of Canada each accepts responsibility for the information contained in the section entitled "*Description of certain parties – The Issuer LF Provider*" (to the extent the same relates to each of them). To the best of Barclays Bank PLC's, HSBC Bank plc's and Royal Bank of Canada's respective knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in such section (to the extent it relates to each of them) is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

Solutus Advisors Limited accepts responsibility for the information contained in the section entitled "*Description of certain parties – The Servicer and the Special Servicer*". To the best of Solutus Advisors Limited's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in such section is in accordance with the facts and does not omit anything likely to affect the import of such information.

Cushman & Wakefield LLP (the **Valuer**) accepts responsibility for the Initial Valuation Report contained in Appendix 1 to this Prospectus. To the best of the Valuer's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Initial Valuation Report is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any Relevant Person. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of any Relevant Person or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

None of the Arrangers, the Bookrunners, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or (unless otherwise stated) PricewaterhouseCoopers, Société coopérative (**PwC Lux**), has independently verified the information contained or incorporated herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arrangers, the Bookrunners, the Note Trustee, the Issuer Security Trustee, the Obligor Security Trustee or (unless otherwise stated) PwC Lux as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the Issuer, the Arrangers and the Bookrunners to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus, see the section of this Prospectus entitled "*Subscription and Sale; Transfer Restrictions*". Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer, the Arrangers or the Bookrunners to subscribe for or purchase any of the Notes. Neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

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

References in this Prospectus to the **Financial Conduct Authority** are to the United Kingdom Financial Conduct Authority.

In connection with the issue of the Notes, RBC Europe Limited (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on repayment, prepayment and certain other characteristics of the loans referred to in this Prospectus and reflect significant assumptions and subjective judgements by the Issuer and/or the Obligors that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "projects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the expectations of the Issuer and/or the Obligors generally due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in Ireland, the United Kingdom, Luxembourg and other relevant jurisdictions. Other factors not presently known to the Issuer and/or the Obligors generally or that the Issuer and/or the Obligors presently believe are not material could also cause results to differ materially from those expressed in the forward-looking statements included in this Prospectus. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer and/or the Obligors. None of the Arrangers, the Bookrunners, the Note Trustee, the Issuer Security



Trustee and the Obligor Security Trustee has attempted to verify any such statements and they do not make any representation, express or implied, with respect thereto.

Prospective investors should not therefore place undue reliance on any of these forward-looking statements. None of the Issuer, the Obligors, the Arrangers and the Bookrunners or any other person assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

## **CERTAIN REGULATORY CONSIDERATIONS**

Prospective investors should note that the Issuer is of the opinion that the EU risk retention and due diligence requirements do not apply to the Notes and are referred to the "*Risk factors*" section of this Prospectus for further information on the EU risk retention and due diligence requirements and certain related considerations.

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## OVERVIEW

### A. THE TRANSACTION

#### ***BUSINESS OVERVIEW***

The Borrower is a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg on 13 August 2013 with registered office at 1, rue Schiller, L-2519 Luxembourg and duly registered at the *Registre de Commerce et des Sociétés*, Luxembourg with number B179.625. See further the section of this Prospectus entitled "*Description of certain parties – The Borrower*".

The Borrower indirectly wholly owns each of PBSA 1 S.à r.l. (**Propco 1**), PBSA 2 S.à r.l. (**Propco 2**) and PBSA 3 S.à r.l. (**Propco 3**) (collectively the **Propcos**, and each a **Propco**) and each of the Management Companies. The Borrower, the Propcos and the Management Companies, as applicable, focus on acquiring and operating high quality student accommodation in the UK.

#### ***OVERVIEW OF THE UNDERLYING ASSETS***

The Property Portfolio ultimately owned by the Borrower (as a parent of the Propcos) comprises 13 Properties with a total market value of £404,335,000 (with the market value of the student elements of the Property Portfolio totalling £401,305,000 and the commercial elements totalling £3,030,000) (as valued in the Initial Valuation Report carried out as at 30 September 2016 (refer to Appendix 1)). Ten of the Properties are freehold, one of the Properties is long leasehold and two of the Properties are held in part by freehold and in part by way of leasehold interest.

As at the Closing Date, the Properties within the Property Portfolio will contain 5,684 beds and will be located in five different towns and cities in England and Wales. See further the section of this Prospectus entitled "*Property Portfolio*".

#### ***ISSUE OF THE NOTES AND USE OF PROCEEDS***

The Issuer will issue the Notes on 7 March 2017 (the **Closing Date**) and may issue Further Notes, New Notes or Replacement Notes on any future date from time to time subject to certain conditions being met. The proceeds of the Notes will be on the Closing Date (and the proceeds of any Further Notes, New Notes or Replacement Notes will be on the relevant closing date relating to that issuance), on-lent by the Issuer to the Borrower pursuant to a facility agreement dated the Closing Date (the **Issuer/Borrower Loan Agreement** and the facilities provided by the Issuer to the Borrower thereunder on the Closing Date and from time to time thereafter, the **Issuer/Borrower Facilities** and the loans made thereunder on the Closing Date and from time to time thereafter, the **Issuer/Borrower Loans**).

The Borrower will apply the full proceeds of the Initial Issuer/Borrower Loan (and the full proceeds of the Initial Mezzanine Loan Note (see the section entitled "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Mezzanine Loan Note Agreement*" for further details) towards prepaying a loan advanced under a facility agreement dated 22 April 2016 entered into between, among others, the Borrower and (each as a lender) Barclays Bank PLC, HSBC Bank plc, RBC Europe Limited and Royal Bank of Canada, London branch (the **Bridge Facility Agreement**).

The payment of interest and repayment of principal by the Borrower in respect of the Initial Issuer/Borrower Loan advanced on the Closing Date will provide the primary source of funds for the Issuer to make payments of interest and repayment of principal under the Notes. The fees and

expenses of the Issuer incurred in connection with the issue of the Notes will be met by the Issuer using certain fees payable by the Borrower pursuant to the Issuer/Borrower Loan Agreement.

### ***REPAYMENT/PREPAYMENT OF THE ISSUER/BORROWER LOANS***

The primary source of funds for payments of interest and fees and repayment of principal in respect of the Issuer/Borrower Loans will be dividends and capital reductions within the Obligor Group and payments of interest and fees and repayments of principal by the Propcos (and in certain cases, other Obligors) to the Borrower under the loans made by the Borrower to the Propcos and, in certain circumstances, the advance of loans by the Obligors to the Borrower (each an **Intra-Group Loan**, and together the **Intra-Group Loans**).

The primary source of funds for payments of interest and fees and repayments of principal by the Propcos under the Intra-Group Loans will be net rental and other cashflows derived from the Properties owned by the Propcos, including any disposal proceeds arising from the Properties.

The Obligors can, and in certain circumstances will, prepay the Issuer/Borrower Loans (in part or in full). See the section entitled "*Prepayment of the Issuer/Borrower Loan*" within the section entitled "*Issuer/Borrower Loan Agreement*" for further details.

### ***OTHER FUNDING AVAILABLE TO THE BORROWER – MEZZANINE LOAN NOTE***

On the Closing Date, Student Mezzanine Finance (the **Mezzanine Issuer**) will issue the Initial Mezzanine Notes (and may issue Further Mezzanine Notes, New Mezzanine Notes or Replacement Mezzanine Notes on any future date from time to time subject to certain conditions being met). The proceeds of the Initial Mezzanine Notes will be, on the Closing Date (and the proceeds of any Further Mezzanine Notes, New Mezzanine Notes or Replacement Mezzanine Notes will be on the relevant closing date relating to the issuance), used by the Mezzanine Issuer to pay the subscription price to the Mezzanine Loan Note Issuer for the £65,000,000 secured fixed rate loan notes issued by the Mezzanine Loan Note Issuer (the **Initial Mezzanine Loan Note**) pursuant to a facility agreement dated the Closing Date (the **Mezzanine Loan Note Agreement**). Such proceeds will be on-lent by the Mezzanine Loan Note Issuer to the Borrower, to be applied towards repaying the loan advanced under the Bridge Facility Agreement.

Situs Asset Management Limited will be appointed as servicer and special servicer of the Mezzanine Loan Notes.

### ***OBLIGOR GUARANTEES AND OBLIGOR SECURITY***

The liabilities of the Borrower under the Issuer/Borrower Loans and the other Finance Documents are cross-guaranteed, on a joint and several basis by each other Obligor (comprising, among others, the Propcos and the Management Companies) (the **Obligor Guarantees**) subject to customary limitations under Luxembourg law where the guarantee is up- or cross-stream.

The obligations of the Obligors under the relevant Finance Documents (including the Obligor Guarantees) will be secured in favour of the Obligor Security Trustee pursuant to the Obligor Security Documents as set out below (together, the **Obligor Security**).

The Borrower and each other Obligor will also guarantee the obligations of the Mezzanine Loan Note Issuer under the Mezzanine Loan Notes and Mezzanine Finance Documents and the obligations of the Mezzanine Loan Note Issuer and other Mezzanine Obligors under the Mezzanine Loan Notes and Mezzanine Finance Documents will also be secured in favour of the Obligor Security Trustee pursuant to the Obligor Security Documents, on a subordinated basis and subject to the terms of the Intercreditor Agreement (see "*Intercreditor arrangements*" below).

### *English law security*

Under the Obligor Deed of Charge, each Obligor will grant (subject to the provisions of the Luxembourg Security Documents) first ranking fixed and floating security over all its property, undertaking and assets. The English law security granted by the Obligors will include mortgages over the Properties, an assignment of certain documents (including the Management Company Leases) and a charge over the Obligor Accounts held in the United Kingdom.

### *Luxembourg law security*

Certain Obligors will enter into the following Luxembourg Security Documents:

- (a) the Luxembourg Account Pledge, pursuant to which each relevant Obligor will grant a pledge, in favour of the Obligor Security Trustee, over all monies, claims etc. held, deposited in or standing to the credit of any account held by it in Luxembourg;
- (b) the Luxembourg Receivables Pledge, pursuant to which each relevant Obligor will grant a pledge, in favour of the Obligor Security Trustee, over the receivables owed to it by any other Obligor, including, without limitation, under the Intra-Group Agreement; and
- (c) the Luxembourg Share Pledge, pursuant to which each Obligor who owns shares in another Obligor incorporated in Luxembourg (a **Luxembourg Obligor**) will grant, in favour of the Obligor Security Trustee, a pledge over those shares.

### *Scots law security*

If, following the Closing Date, properties located in Scotland are included in the Property Portfolio, the relevant Obligors will enter into a Scottish standard security and a Scottish assignment of rent in respect of the Lease Documents relating to each such Scottish property.

### *Northern Irish law security*

If following the Closing Date, properties located in Northern Ireland are included in the Property Portfolio, the relevant Obligors will enter into Northern Irish fixed security which will include an assignment of rental income in respect of the Lease Documents relating to each such property located in Northern Ireland.

### *General*

The Obligor Guarantees and the Obligor Security are held by the Obligor Security Trustee on trust for itself and the other Obligor Secured Creditors.

The Mezzanine Loan Noteholders, as Obligor Secured Creditors, also benefit from the Obligor Security (in addition to the Mezzanine Only Security).

## **INTERCREDITOR ARRANGEMENTS**

An intercreditor agreement, entered into between, *inter alios*, the Issuer and the Mezzanine Loan Noteholders (the **Intercreditor Agreement**) will govern the interrelationship between, amongst others, the Issuer, the Mezzanine Loan Noteholders and any other Subordinated Finance Parties. As a general principle, the rights of the Issuer to be paid the amounts owed to it by the Obligors rank in priority to the rights of the Mezzanine Finance Parties to be paid the liabilities owed by the Mezzanine Obligors to the Mezzanine Finance Parties under or in connection with the Mezzanine Finance Documents (defined as the **Mezzanine Liabilities** in the section "Overview of the

*Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Intercreditor Agreement" below).*

Prior to the Senior Discharge Date, the Mezzanine Shareholder, the Mezzanine Holdco, the Mezzanine Loan Note Issuer and the Obligors have agreed pursuant to the Intercreditor Agreement that they shall not, and shall procure that no other member of the Larger Group will, make any payment of the Mezzanine Liabilities unless such payment is permitted to be made or received pursuant to the Intercreditor Agreement. For a description of the circumstances in which amounts may be paid in respect of those Mezzanine Liabilities, see "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Intercreditor Agreement*".

The Intercreditor Agreement also contains certain restrictions on the rights of the Issuer and the rights of the Mezzanine Loan Noteholders which should be noted, including (a) restrictions on the Issuer agreeing to certain amendments and waivers without the consent of the Mezzanine Loan Note Issuer, (b) cure rights of the Mezzanine Cure Loan Noteholders with respect to certain curable defaults under the Issuer/Borrower Loan Agreement, (c) certain limitations on the Issuer taking enforcement action with respect to defaults, and (d) the Mezzanine Loan Noteholders' and Mezzanine Noteholders' option to purchase the Issuer/Borrower Loans. See "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Intercreditor Agreement*" for further details.

To the extent that Scottish assets are included in the Property Portfolio and Scottish security is granted in relation to such assets, a Scots law agreement will be entered into to reflect the ranking of the security provided for in the Intercreditor Agreement.

## **SERVICING ARRANGEMENTS**

The Issuer will appoint the Servicer to service and administer the Issuer/Borrower Loans until the occurrence of a Special Servicing Transfer Event.

The Issuer will appoint the Special Servicer as special servicer of the Issuer/Borrower Loans. Following the occurrence (if any) of a Special Servicing Transfer Event, the Special Servicer will formally assume special servicing duties in respect of Issuer/Borrower Loans and the Issuer/Borrower Loans will become Specially Serviced Loans. Following the occurrence of a Special Servicing Transfer Event, the Servicer's duties will continue with respect to certain administrative functions.

Pursuant to the Servicing Agreement, the Servicer and the Special Servicer will, among other things, exercise all rights, powers and discretions with respect to the Issuer/Borrower Loans and the Obligor Security which have been delegated to it by the Issuer in accordance with the Servicing Standard. The Servicer will also be required to prepare and provide the Servicer Half Yearly Report containing information with respect to the Issuer/Borrower Loan. The Issuer Cash Manager will make the same available on Bloomberg L.P. and on its website (currently located at [www.usbank.com/abs](http://www.usbank.com/abs)).

The appointment of the Servicer and/or the Special Servicer can be terminated at the option of the Issuer Security Trustee, upon the occurrence of certain termination events, or at the option of the Issuer, upon the occurrence of certain reporting failure events. Following the occurrence of such termination events, if the Issuer or the Issuer Security Trustee, as applicable, is instructed to terminate the appointment of the Servicer or the Special Servicer by way of an Ordinary Resolution of the Noteholders, the Issuer or the Issuer Security Trustee must terminate the relevant appointment.



The appointment of the Servicer and the Special Servicer can also be terminated at any time pursuant to a direction of the Noteholders (acting by Ordinary Resolution).

Each of the Servicer and the Special Servicer may resign from its appointment as such by giving the Issuer and the Issuer Security Trustee at least three months' written notice to this effect.

No such termination or resignation will be effective until (among other conditions) a replacement servicer or special servicer (unless, only in relation to the Special Servicer, it is terminated by an Ordinary Resolution of the Noteholders which specifies that no replacement special servicer will be appointed), as the case may be, has been appointed under the terms of the Servicing Agreement.

See the section entitled "*Overview of certain Issuer Transaction Documents – The Servicing Arrangements*" for further information.

### ***ISSUER LIQUIDITY FACILITY***

On the Closing Date, the Issuer and Barclays Bank PLC, HSBC Bank plc and Royal Bank of Canada (together the **Issuer LF Providers**) will enter into a liquidity facility agreement (the **Issuer Liquidity Facility Agreement**, and the loans made under such agreement the **Issuer Liquidity Facility Loans**) to cover:

- (a) shortfalls in the amounts available to the Issuer to make payments of interest due on the Notes and certain other expenses ranking senior thereto; and
- (b) amounts required to make payments to third parties in relation to a Property in certain circumstances (see the definition of "*Property Protection Shortfall*" within the section entitled "*Issuer Liquidity Facility Agreement*" for further details),

(the **Issuer Liquidity Facility**). As at the Closing Date, the Issuer Liquidity Facility will be for an amount equal to £3,900,000.

### ***ISSUER SECURITY***

The Issuer's obligations under the Notes, the Note Trust Deed, the Issuer Deed of Charge and the other Issuer Transaction Documents are secured by, among other things, the fixed and floating security granted by the Issuer over all its property, undertaking and assets and the assignment of the benefit of the security and the rights which the Issuer enjoys under the Issuer/Borrower Loan Agreement, the Obligor Security Documents and the other Issuer Transaction Documents (other than the Note Trust Deed and the Issuer Deed of Charge), in favour of the Issuer Security Trustee to be held on trust on behalf of itself and the Note Trustee (for itself and on behalf of the Noteholders), the Issuer Cash Manager, the Issuer Account Bank, the Paying Agents, the Corporate Services Provider, the Issuer LF Providers, the LF Agent, the Servicer, the Special Servicer and the other creditors of the Issuer that are party to or accede to the Issuer Deed of Charge from time to time under the terms thereof (together the **Issuer Secured Creditors**).

### ***HEDGING***

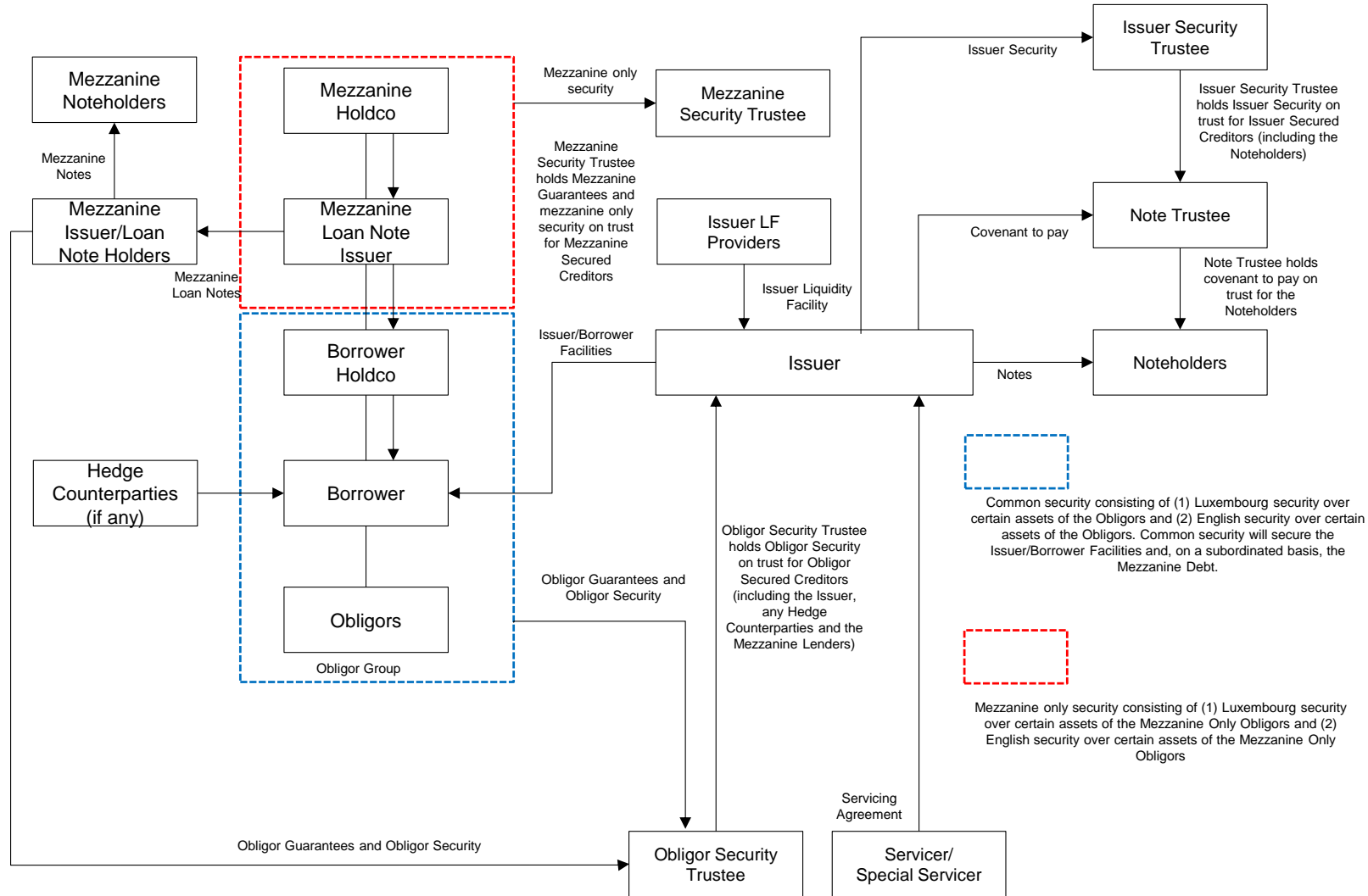
If the Issuer issues floating rate notes after the Closing Date, the Borrower may enter into interest rate hedges with hedge counterparties under hedging agreements in respect of the new corresponding Issuer/Borrower Loans which pay interest based on LIBOR or another floating rate, provided that the Borrower obtains a Rating Agency Confirmation in respect of the Notes.

## **GENERAL**

See the sections of this Prospectus entitled "*Diagrammatic overview of the transaction*" and "*Corporate structure diagram of the Corporate Group*" below for an overview of the transaction and the corporate structure of the corporate group and the Obligors on the Closing Date.

## B. DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

The diagram below is intended to highlight the structure of this transaction. It is not intended to be an exhaustive description of the same. Prospective Noteholders should review the detailed information set out elsewhere in this Prospectus for a description of the transaction structure and relevant cashflows prior to making any investment decision.



## C. CORPORATE STRUCTURE DIAGRAM OF THE CORPORATE GROUP

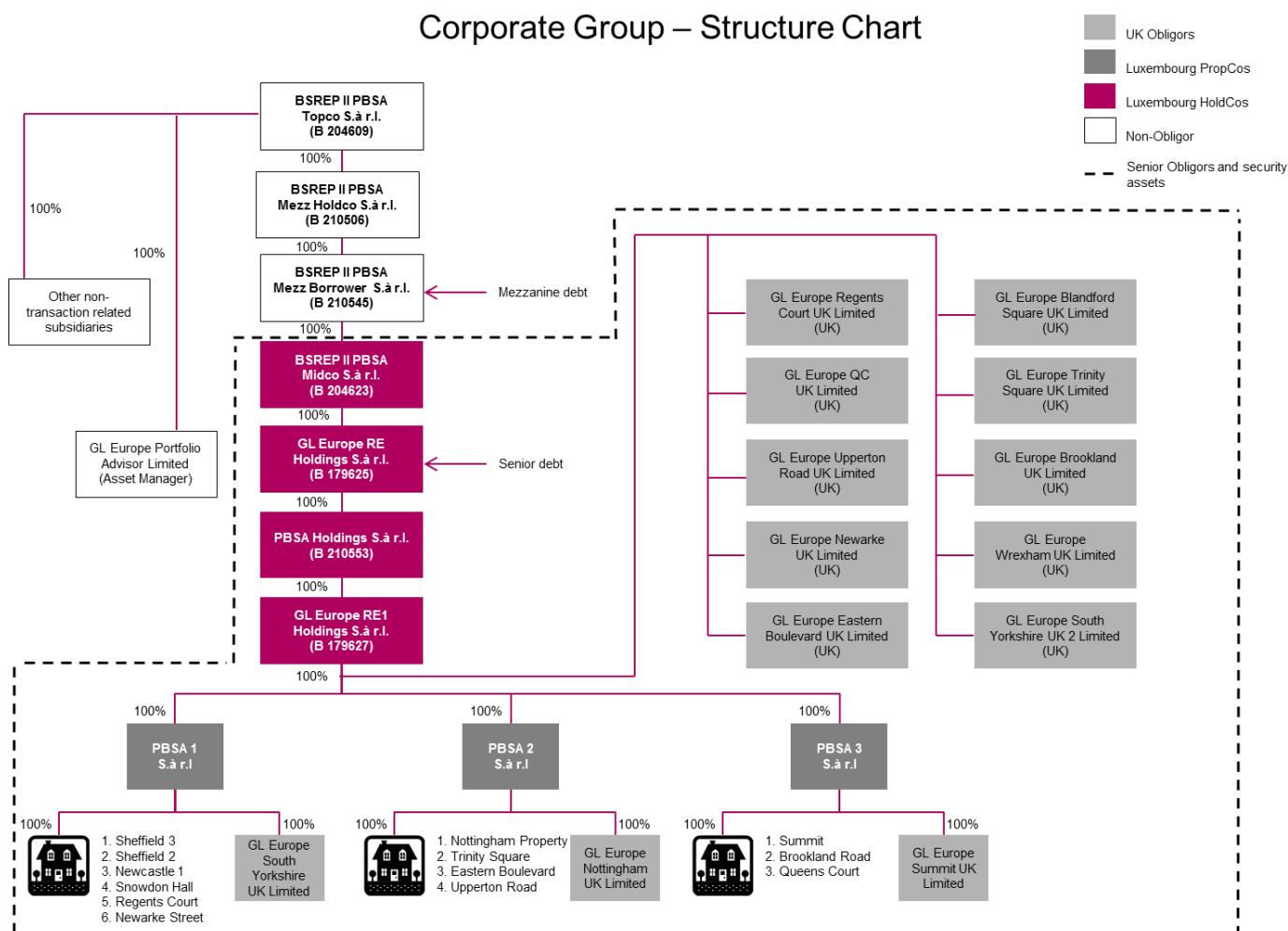
The diagram on this following page sets out the corporate structure of the Obligor Group and certain of its Affiliates. It is not intended to be an exhaustive description or depiction of the Obligor Group.

Prospective investors in the Notes should note that only the Obligor Security will stand as security for the Issuer/Borrower Loans and, ultimately, the Notes. See the section entitled "Property Portfolio" and "Obligor Security Documents" for further information. Only the Obligors and not any other entity depicted on this diagram have any obligations under the Issuer/Borrower Loans.

None of the entities depicted on this diagram has any obligations under the Notes.

Prospective Noteholders should review the detailed information set out elsewhere in this Prospectus for a description of the transaction structure and relevant cashflows prior to making any investment decision.

### Corporate Group – Structure Chart



## **RISK FACTORS**

*The following is an overview of certain aspects of the Notes, the Issuer and the related transactions of which prospective Noteholders should be aware. Prior to making an investment decision in the Notes, prospective investors should consider carefully all of the information set out in this Prospectus, including the investment considerations detailed below. This overview is not intended to be exhaustive, and prospective investors in the Notes should make their own independent assessments of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus prior to making an investment decision.*

*While 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 be sufficient to ensure that the Noteholders receive payment of interest or repayment of principal from the Issuer on a timely basis or at all.*

### **A. RISKS RELATED TO THE PROPERTIES AND THE BUSINESS OF THE OBLIGORS**

#### ***GENERAL RISKS RELATING TO THE OWNERSHIP OF PROPERTY***

Real property investments are subject to varying degrees of risk. Rental revenues and property values are affected by changes in the general economic climate and local conditions, such as an oversupply of space, a reduction in demand for real estate in an area, competition from other available space or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning or tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. Residential rentals and values are sensitive to such factors which can sometimes result in rapid, substantial increases and decreases in rental and valuation levels. Any resulting decline in rental levels may adversely affect the ability of the Borrower to meet its obligations under the Issuer/Borrower Loan Agreement which could result in Noteholders suffering a loss on their Notes. See also the risk factor entitled "*Demand for Obligor accommodation provided by the Obligors may be affected by increasing competition between operators and increasing levels of residential development*".

#### ***DEPENDENCE ON RE-LETTING***

The Obligors' ability to repay the Issuer/Borrower Loans will depend in part on the ability of the Obligors to continue to let the Properties on economically favourable terms. The weighted average occupancy of the Property Portfolio for 2016/2017, as at 30 September 2016, was 99.4 per cent., calculated on the basis of typical students' lease terms (of nine to 12 months), and averaged 99.1 per cent. over the past two academic years (2015/2016 and 2016/2017). As substantially all of the income from the Properties derives from rentals, the Obligors' ability to make payments on the Issuer/Borrower Loan Agreement 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 to the Management Companies under their leases.

The Properties are subject to Direct Occupational Leases and in some cases Rolling Agreements. Both of these arrangements are generally short-term tenancies (usually up to a year) and so the relevant Properties will need to be re-let frequently. In particular, the Rolling Agreements may be terminated during the life of the Issuer/Borrower Loan Agreement either as a result of break clauses, default or expiry. See risk factors entitled "*Default under the Rolling Agreements in respect of the Property Portfolio*".

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

The ability to attract tenants paying rent levels sufficient to allow the Obligors to pay amounts under the Issuer/Borrower Loan Agreement will be dependent on, among other things, tenant demand and rental levels which can be influenced by a number of 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 universities in the vicinity of the relevant student accommodation, including the relative attractiveness of that university compared to alternative higher education institutions;
- (c) factors affecting the specific demand for the Obligors' 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;
- (d) changes in government policy on higher education (such as tuition fee increases or changes to immigration rules) may reduce the number of students and/or reduce the disposable income of students (and therefore the amount available to be spent on accommodation); and
- (e) supply side factors including overall supply of alternative accommodation and the risk of increased supply over time.

See further the risk factors entitled "*Rental income in respect of the Property Portfolio is dependent on the stability of tenants and other counterparties*" and "*Increased competition for students could have an adverse impact on rental revenues*".

The implications of the demand risk referred to above are that an Obligor's accommodation may not be full at the rent levels set, or, in order to sustain demand, an Obligor may have to reduce the rent to compete for students. This would impact the revenue earned by the Obligors. The Obligors have no sources of income other than the rents from occupiers of the student accommodation, payments under Rolling Agreements and commercial lettings. In addition, each Obligor's need to meet its operating expenses may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***RENTAL INCOME IN RESPECT OF THE PROPERTY PORTFOLIO IS DEPENDENT ON THE STABILITY OF TENANTS AND OTHER COUNTERPARTIES***

The Obligors' revenue is dependent on the performance of certain counterparties, including the collection of rents from students (see "Risks relating to facility management and asset management" below), the financial stability of students (see "Default under the Direct Occupational Leases" below) and the financial stability of university clients with which the Obligors have direct contractual relationships (in the form of Rolling Agreements, or otherwise) (see "*Default under the Rolling Agreements in respect of the Property Portfolio*").

An increase in the level of defaults by such parties might impact on the revenue generated from operations as well as impact the valuations of the Properties. Such impact may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***DEFAULT UNDER THE DIRECT OCCUPATIONAL LEASES***

The Obligors' revenue is dependent on the collection of rents from students. There is a risk that rental income due from the occupational tenants will not be paid on the due date or will not be paid at all.

All rent is invoiced in advance, mostly on a termly basis, but in some circumstances on an annual basis. The Obligors also obtain rent guarantees from the UK domiciled parents of students (and if a UK domiciled guarantor is not available, rent is invoiced annually in advance). The Obligors actively manage any rental arrears, with students who have payment difficulties being switched to monthly payment plans, and weekly management review meetings are held to report on outstanding debts. The Obligors made a bad debt provision for tenant defaults in their 2015 accounts of 0.5 per cent. of gross rental income. However, defaults by occupiers may increase in future, particularly if the general UK economy suffers.

In the event of a late payment of rent which is not received on its due date therefor and, where the resultant shortfall is not otherwise compensated for from other resources of the Obligors within the grace period for payment under the Issuer/Borrower Loan Agreement, the Obligors may fail to pay the amounts due under the Issuer/Borrower Loans on the next Loan Interest Payment Date and, as a result, an Obligor Event of Default may occur. No assurance can be made that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any shortfall of interest on the Notes and that a Note Event of Default will not in fact occur as a result of the late payment of rent.

If a room within a Property is or becomes vacant during a tenancy and cannot be immediately re-let, the rental income from the relevant Property may be affected, although the relevant Obligor may have a right to recover unpaid amounts from the relevant tenant or any guarantor of that tenant's obligations and to apply any rental deposit paid by that tenant in satisfying unpaid amounts. If a room becomes vacant at the end of a tenancy and cannot be immediately re-let, the level of rental income from the relevant Property will be affected. This may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***DEFAULT UNDER THE ROLLING AGREEMENTS IN RESPECT OF THE PROPERTY PORTFOLIO***

In addition to collection of rents from students, the net revenue generated from the Obligors' properties may depend on the financial stability of university clients and other third parties with which the Obligors have direct contractual relationships.

The agreements between an Obligor and higher education or other third party institution under which such Obligor agrees to make available residential accommodation at a Property for persons nominated by such institution in return for the payment of specified sums (being payable irrespective of whether such accommodation is utilised) (the **Rolling Agreements**) contain provisions requiring the institutions which are party to them to identify potential occupiers and (in some cases) to make certain payments. There can be no assurance that such institutions will make such payments (if required to do so) when due or at all, which may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which in turn may impact the Issuer's ability to make payments in respect of the Notes. Please refer to the

section of the Initial Valuation Report entitled "*University & Education Provider Agreements*" for details of the Rolling Agreements the Obligor is party to on the date of this Prospectus. Rolling Agreements cover, as at the date of this Prospectus, in aggregate, 10.5 per cent. of bed spaces across the Property Portfolio.

The Rolling Agreements contain provisions allowing either party to terminate in the event of a material breach by the other party of its obligations under the relevant Rolling Agreement. In addition, the Rolling Agreements are each only for a term of approximately one year with no renewal obligation.

***CHANGES IN UNIVERSITY AND STUDENT FUNDING COULD AFFECT OVERALL STUDENT NUMBERS PURSUING COURSES OF STUDY WHICH COULD HAVE AN IMPACT ON RENTAL REVENUES***

*England*

The Higher Education Funding Council for England (**HEFCE**) is responsible for distributing public funds to higher education institutions in England in accordance with agreed criteria.

When higher level tuition fees were introduced at the start of the 2012/2013 academic year, teaching funding was reduced.

As a consequence, the majority of teaching funds now come in the form of tuition fees paid by individual students through loans provided by the Student Loan Company. HEFCE remains responsible for managing the allocation of student numbers in English universities. Until the 2014/2015 academic year, the government capped the total number of UK and EU student places that a university could allocate. From 2015, the government removed this cap on student numbers allowing universities to recruit as many students from the UK and the EU as they wish and therefore potentially increasing the amount they receive in the form of tuition fees. While the funding changes have made a difference to some individual UK universities, there is no evidence of significant falls in student numbers at any particular UK university at present as there has been a 3.6 per cent. per annum increase in the number of university acceptances through the Universities and Colleges Admissions Service (**UCAS**) in the UK from 2012/13 to 2016/17.

The amount that a university is able to charge its students is subject to a maximum amount that the UK government specifies. The current or future administrations may increase or decrease this amount depending upon such administration's higher education policies. There is no guarantee that the government's approach to tuition fees, and higher education funding generally, will remain consistent. In 2011/2012, existing UK/EU students were charged up to a maximum of £3,465 per annum in tuition fees by each university. Since the 2012/2013 academic year, universities in England were able to charge each new student up to a maximum of £9,000 per annum in tuition fees. Each institution in England must comply with strict criteria set by the Office of Fair Access, ensuring that all students in England that meet its admissions criteria are able to access its courses regardless of their background. The increase in fees is offset by a reduction in teaching funds from the two funding bodies; however, the capacity to off-set this fall in funding will be dependent upon the ability of a university to attract students.

On 19 May 2016, the Higher Education and Research Bill 2016-17 (the **Bill**) was presented in the House of Commons. The Bill seeks to bring forward a range of proposed measures to increase competition and choice in the higher education sector, raise standards and strengthen capabilities in UK research and innovation. Among the proposals set out in the Bill is the removal of the limit on annual full-time tuition fees for universities meeting certain quality criteria (currently capped at a maximum amount of £9,000). It is expected that the UK Parliament will discuss and vote on the



proposals in 2017 and there is considerable uncertainty on the criteria which will be used for setting fee limit conditions and how these will apply to universities.

As referred to above, the overall number of students in the UK, including students studying at universities the Obligor's accommodation supports, has increased since the changes in teaching funding for universities and the introduction of higher fee levels outlined above. However, future funding changes and, in particular, any further increase in the costs of studying, may have a negative effect on student numbers.

Any decrease in the numbers of students pursuing courses of study at the universities the Obligor's accommodation supports because of changes outlined above (or otherwise) could have a consequent effect on the rents the Obligor is able to collect and, as a result, may adversely affect the Obligor's ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### *Scotland*

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Scotland, however, this could change over time. In Scotland, the Scottish Funding Council (**SFC**) is responsible for distributing public funds to higher and further education institutions. The SFC has in place outcome agreements with each university, which sets out the results the SFC expects to see as a result of the funds it distributes. Outcome agreements between the SFC and universities reflect the strategic direction set for the SFC by the Scottish Government, which is done by means of the annual Ministerial Letter of Guidance to the SFC. The SFC does not provide funding for individual students.

Tuition fees in Scotland for Scottish or non-UK EU, European Economic Area (**EEA**) or Swiss students and some others are paid by the Student Awards Agency for Scotland (**SAAS**). The standard annual tuition fee for an undergraduate course in respect of Scottish and non-UK EU/EEA and Swiss students is £1,820. The level of tuition fee has not been confirmed for 2017. Tuition fees for students from the rest of the UK and elsewhere in the world are charged by Scottish universities at a variable rate up to a maximum of £9,000 per annum.

The Scottish Government is proposing to bring the SFC under the oversight of a new strategic board, along with three other bodies (Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland) with the stated policy objective of ensuring that expenditure on economic development is aligned across economic sectors. It is possible that this development could have an effect on funding for Scottish universities. There is, however, no timescale for implementation.

### *Northern Ireland*

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Northern Ireland, however, this could change over time. The Department for the Economy is responsible for providing significant public funding each year to higher education in Northern Ireland. The balance of funding required is made up of a combination of tuition fees, research grants and other income (e.g. donations and endowments). While the universities in Northern Ireland are autonomous bodies, with responsibility for how they make use of their funding, the allocation made by the Department has, in recent years, been made in the context of certain agreed aims – primarily to enhance research, widen access to education, to exploit fully the contribution the universities can make to the economy and to improve quality.

The Northern Ireland Assembly made a commitment that tuition fees for Northern Irish students in Northern Ireland would not rise at a rate higher than that of inflation at least until the year 2015.

Thus, where student fees in the rest of the United Kingdom have risen to £9,000, tuition fees for new full-time Northern Irish students studying in Northern Ireland will be up to £3,925 for the academic year 2016/17. Students from the rest of the United Kingdom are charged tuition fees of up to £9,000 per annum.

Any alteration to the funding available to universities or to students could have an impact on student numbers.

### ***UNIVERSITIES IN ENGLAND MAY BE SUBJECT TO INTERVENTION BY THE HEFCE AND DISSOLUTION BY THE UNITED KINGDOM GOVERNMENT***

Each university in England 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 university in England must comply with certain requirements which are specified in HEFCE's Memorandum of Assurance and Accountability between HEFCE and institutions. Under these obligations, before entering into new financial commitments, institutions must obtain written consent from HEFCE if the increase in their financial commitments will result in total financial commitments exceeding five times their average earnings before tax depreciation and amortisation. Written consent to increase financial commitments is also required if HEFCE assesses an institution as being at higher risk. 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 university's contractual obligations to an Obligor (under a Rolling Agreement or otherwise).

In addition, the Secretary of State has the power to dissolve any higher education corporation in England and Wales and provide that its property, rights and liabilities (which could include its contractual obligations to an Obligor) 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 Obligors and may therefore adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***Regulation of Universities in Northern Ireland***

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Northern Ireland, however, this could change over time. The universities in Northern Ireland are autonomous bodies, with responsibility for how they utilise their funding. Both Queens University and University of Ulster were established by Royal Charter and, accordingly, any amendment to their governing charter may only be made with approval by the Privy Council.

Notwithstanding this, under the Education and Libraries (Northern Ireland) Order 1986, the Department for the Economy may give directions to a higher education body, for example specifying how particular duties of the university should be performed or not performed. Should the Department be satisfied that its directions have not been satisfactorily carried out, it may appoint a person or persons to ensure that the directions are carried out. The Department also has a right to inspect higher education bodies.

Bodies established under Royal Charter can be dissolved only by proposing dissolution themselves to the Privy Council or by an Act of Parliament.

## ***INTERVENTION BY SFC***

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Scotland, however, this could change over time. Under the Further and Higher Education (Scotland) Act 2005 (the **2005 Act**), Scottish higher education institutions are required to comply with their governance obligations, wider principles of governance as may be set down by the SFC and any further conditions as set down by the SFC, which are contained within outcome agreements reached with the SFC, and the SFC's financial memorandum with each institution.

The Scottish Ministers may close 'designated institutions' under the Further and Higher Education (Scotland) Act 1992 (the **1992 Act**). This provision does not apply to universities created before the 1992 Act came into force. Before closure, the governing body of the institution concerned must be consulted. In the case of universities created before the 1992 Act came into force, they can only be dissolved by revocation of the charter or legislation creating them. For a number of Scottish universities, an Act of the Scottish Parliament would be required to close them. The Scottish Ministers also have the power to remove institutions from the list of 'fundable bodies' under the 2005 Act on the proposal of the SFC, meaning that the removed institution is no longer entitled to receive funding from the SFC. No such closure in relation to a university or higher education institution has occurred to date, although a number of higher education institutions have merged, some with universities (such as the Edinburgh College of Art with the University of Edinburgh).

## ***CHANGES IN UNIVERSITY SUPPORT FOR STUDENTS COULD AFFECT PARTICIPATION OF ELIGIBLE STUDENTS IN UNIVERSITY COURSES WHICH COULD HAVE AN ADVERSE IMPACT ON RENTAL REVENUES***

### *England*

Currently, students from the poorest backgrounds in England are eligible for a student maintenance support grant. From 2016/2017, this grant will be abolished for new students and replaced with increased maintenance loans, the increase in which is greater than the amount of the student maintenance support grant that will be abolished. Although universities also provide increasing support for students in the form of bursaries and scholarships, overall this will result in many students ending their course with a larger student loan than before. This may be expected to have a negative effect on applicants who perceive that they are credit constrained or expect to have a low lifetime income. However, repayments under the maintenance loan in England are only required to be made once income exceeds £21,000. In addition, the increase in fees in England since 2012/2013 (see the risk factor entitled "*Changes in university and student funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues*" above for further details) did not lead to lower income groups reducing participation in university courses since then.

Any decrease in the numbers of students pursuing courses of study at the universities the Obligors' accommodation supports because of these changes could have a consequent effect on the rents the Obligors are able to collect and, as a result, may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### *Scotland*

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Scotland, however, this could change over time. In Scotland, students coming from lower income households, or who live independently, have dependants, are single parents or are disabled may be entitled to a number of different bursaries or support grants. The main grant is

the Young Students' Bursary, which provides grants on a sliding scale to students from households with total incomes of below £34,000 per annum. Individual universities also maintain bursaries, scholarships and discretionary funds.

Undergraduate students who are enrolled on a full-time course, are aged under 60 on the first day of their academic course, meet the relevant residence requirements and are not in default of a previous student loan are entitled to a student loan of at least £4,750 per annum regardless of their household income, and more if they come from households earning below £34,000 per annum. Students are only required to begin repaying their student loan once they earn more than £17,495 per annum in April of the year following on from their graduation.

There are no plans at present to reform funding arrangements for students at Scottish universities.

#### *Northern Ireland*

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Northern Ireland, however, this could change over time. A full-time higher education student in Northern Ireland may be able to get a non-repayable grant to help with accommodation and other living costs. The grants available are the 'Maintenance Grant' and the 'Special Support Grant'. Whether a student qualifies and the level of grant available depends on the student's household income. A student who qualifies may get one or other of these grants – but not both.

A maximum grant of up to £3,475 is available if a student's household income is £19,203 or less. For students with a household income between £19,203 and £41,065, a partial grant may be available depending on the level of your household income. If the student's household income is more than £41,065, they will not be eligible to receive a grant.

#### ***INCREASED COMPETITION FOR STUDENTS COULD HAVE AN ADVERSE IMPACT ON RENTAL REVENUES***

Following the introduction of the new funding arrangements and removal of caps on the total number of UK and EU student places (see the risk factor entitled "*Changes in university and student funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues*" for further details) and changes in university support (see the risk factor entitled "*Changes in university support for students could affect participation of eligible students in university courses which could have an adverse impact on rental revenues*" for further details), the UK higher education sector 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.

The Obligors focus their business on university towns with more than one higher education establishment with at least one being in the top 75 universities (Times Guide in 2017) and with multiple students applying for every university place (more than 97 per cent. of the beds in the Property Portfolio are situated in university cities with a university ranking in the top 30 universities (Times Guide in 2017) which had in excess of 4.75 applications per acceptance in 2015/2016).<sup>1</sup>

To ensure that institutions are focused on the provision of quality courses and facilities as well as value for money, the government has introduced a more marketised approach to student recruitment. From 2015/2016, universities in England have been able to recruit an uncapped number of students from the UK and overseas. There is a risk that overall enrolment growth at universities across the UK could show more variability on a year-to-year basis going forward on

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<sup>1</sup> Source: UCAS

the basis of these changes and may have an effect on the demand for accommodation in the Properties owned by Obligors.

While students may be more attracted to established and historically more highly regarded universities, there can be no assurance which universities will perform better in attracting students in the wake of the removal of student number caps. Any adverse impact of the removal of such caps on the universities that the Obligors' accommodation supports could result in lower occupancy levels at the Obligors' accommodation and consequently lower rentals that the Obligors are able to collect and, as a result, may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

The UK has an internationally recognised reputation for high quality further education and is the second most popular global destination for further education, behind the United States of America. In addition, there has been a continued growth in international students studying in the UK over the last ten years, with non UK-domiciled full-time students representing 23 per cent.<sup>2</sup> of the total full-time student population in the UK in 2015/2016. However, in the future 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 is considered cheaper, and an outflow of students to overseas universities may have an effect on the numbers seeking accommodation at the universities in the cities in which the Obligors own Properties. Any decrease in the numbers of students pursuing courses of study at the universities the Obligors' accommodation supports could have a consequent effect on the rents the Obligors are able to collect and, as a result, may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***DEMOGRAPHIC CHANGES MAY AFFECT DEMAND FOR COURSES OF STUDY AND ACCOMMODATION PROVIDED BY THE OBLIGORS***

Demand for higher education is driven by a combination of demography and social mix. While 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 a negative impact on demand for higher education, the demand for student accommodation and, in turn, the results of operations of the Obligors and may therefore adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***CHANGES IN IMMIGRATION POLICY AND STUDENT VISAS COULD AFFECT OVERALL STUDENT NUMBERS PURSUING COURSES OF STUDY WHICH COULD HAVE AN IMPACT ON RENTAL REVENUES***

According to the Home Office "Statistical News Release: Immigration Statistics" report dated 28 February 2013, sponsored student visa applications fell 22 per cent. following the UK's tighter immigration controls from the 2011/2012 academic year. While the impact of this fall has been confined to other sectors such as short-term language courses, independent schools and further education (though, since 28 February 2013, the Home Office has recorded a gradual increase in the number of student applications), there can be no assurance that in future years this will not continue to fall or that any such fall will not also negatively impact numbers of overseas students

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<sup>2</sup> Source: HESA

from outside the EU able to study in UK universities. As at 31 October 2016, 6 per cent. (rounded to the nearest whole number) of the tenants of the Properties (excluding the Leicester Properties) are students domiciled in EU countries other than the UK. This compares to 6.5 per cent. of all full-time students across the UK in 2015/2016.

There can be no assurance that this fall in overall student visa applications will not also negatively impact numbers of EU students able to study in UK universities following the EU referendum in June 2016 (see the risk factor entitled "*EU Referendum result*" for further details). Any such decrease in the numbers of overseas students from outside the EU and from the EU, and consequentially overall numbers of students, pursuing courses of study at UK universities and, in particular, at those universities the Obligors' accommodation supports could have a consequent effect on the rents the Obligors are able to collect and, as a result, may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***CAPS ON STUDENT NUMBERS IN SCOTLAND***

As at the date of this Prospectus, there are no properties in the Property Portfolio that are located in Scotland, however, this could change over time. While caps on student numbers have been abolished in England, the Scottish Government is maintaining its cap for Scottish and non-UK EU/EEA and Swiss students, as tuition fees for such students are paid by SAAS. There do not appear to be any plans to remove the cap. There is no cap on the number of places that can be offered to students from the rest of the UK and beyond the EU/EEA. In 2014/15 approximately 66 per cent. of students at Scottish universities originated from Scotland, with 9 per cent. coming from the EU/EEA/ Switzerland, 12 per cent. from the rest of the UK and 13 per cent. from outside the EU/EEA.

The Scottish Government has announced that students from EU/EEA countries beginning degree programmes in 2017/18 will continue to have their tuition fees paid by SAAS for the duration of their degree programmes, even if Scotland is outside the EU by the end of their courses. However, in the longer term it is unclear what funding arrangements will be made for EU/EEA students if Scotland and the wider UK are no longer part of the EU. Any fundamental alteration to the current practice of paying tuition fees for EU/EEA students is likely to lead to a significant fall in the numbers of EU/EEA students.

### ***DEMAND FOR OBLIGOR ACCOMMODATION PROVIDED BY THE OBLIGORS MAY BE AFFECTED BY INCREASING COMPETITION BETWEEN OPERATORS AND INCREASING LEVELS OF RESIDENTIAL DEVELOPMENT***

The student accommodation market is characterised by approximately a dozen operators of more than 5,000 rooms, and, while 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 an Obligor to secure the level of occupancy required for the Obligors to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of 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 rents.

### ***COSTS MAY INCREASE***

The Obligors' operating and other expenses could increase without a corresponding increase in turnover or rents. Factors which could increase operating and other expenses include increases in:

- (a) the rate of inflation;
- (b) staff and energy costs;
- (c) property taxes and other statutory charges;
- (d) insurance premiums;
- (e) the costs of maintaining properties; and
- (f) the costs of increasing service quality to maintain a competitive position in the market.

Such increases could have an adverse effect on the Obligors' business, financial conditions or results of operations. This may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***SINKING FUNDS ESTABLISHED BY THE OBLIGORS MAY PROVE TO BE INSUFFICIENT***

The Obligors are required to put aside a sinking fund amount to provide for the renewal and maintenance of various building components/fabric (refer to the section entitled "*Issuer/Borrower Loan Agreement – Sinking Fund Accounts*" for further details). The sinking fund amount is an amount calculated annually and is equal to the greater of 3 per cent. of Rental Income for a Property for the forthcoming 12-month period and 3 per cent. of Rental Income, received during the 12-month period prior to the Closing Date index-linked on an annual basis by reference to a retail prices index (subject to a floor of zero). The adequacy of such sinking funds 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 project;
- (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 original assumptions and has led to greater wear and tear; or
- (d) partial or non-recovery of damage rectification costs through the incorrect application of any 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 Obligor may need to fund renewal and maintenance works from other sources which could adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***DEPENDENCE ON LETTING AND MARKETING AGREEMENT WITH SULETS***

The Management Companies which have leases of Properties located in Leicester have entered into an agreement with Student Union Lettings Limited (**Sulets**) relating to the marketing and

letting of these properties. Sulets is a letting agency jointly owned and run by the Students' Unions of De Montfort University and the University of Leicester and is the primary source for students seeking accommodation for these universities. This arrangement therefore provides the Obligors with good access to the student base of both universities through a highly trusted source.

The agreement with Sulets can be terminated by Sulets on fairly short notice, in which case, the Obligors would need to procure alternative letting arrangements for the Leicester Properties in short order. The cost of replacement, and the ongoing cost of the replacement arrangements, would fall on the Obligors. The Obligors' reliance on the agreement for the provision of property management services related to the Leicester Properties creates a potential risk in the event that the agreement is terminated.

### ***RISKS RELATING TO FACILITY MANAGEMENT AND ASSET MANAGEMENT***

The Property Portfolio is managed by the Facility Managers and the Asset Manager pursuant to the respective Facility Management Agreements and the Asset Management Agreement.

The Asset Manager has responsibilities in the comprehensive administration of the Property Portfolio, including (without limitation) property disposals and acquisitions and the preparation of budgets (for further details see the section entitled "*Property Portfolio – Asset Management*"). Pursuant to the Issuer/Borrower Loan Agreement, the Borrower is obliged to ensure that the Asset Manager enters into an Asset Manager Duty of Care Agreement with the Obligor Security Trustee in form and substance satisfactory to the Issuer.

Each Facility Manager has responsibility for, *inter alia*, rent collection, tenant assistance and supervision, lease agreement management, invoicing of ancillary expenses and various accounting and reporting functions (for further details see the section entitled "*Property Portfolio – Facility Management*"). Pursuant to the Issuer/Borrower Loan Agreement, the Borrower is obliged to ensure that each Facility Manager enters into a Facility Manager Duty of Care Agreement with the Obligor Security Trustee in form and substance satisfactory to the Issuer.

While the Facility Managers and the Asset Manager are experienced in, and focused on, managing student accommodation, there can be no assurance that decisions taken by them or by any future Facility Manager or Asset Manager will not adversely affect the values and/or cashflows of the Property Portfolio. There can also be no assurance that a substitute Facility Manager or a substitute Asset Manager will be found in a timely fashion should any Facility Management Agreement or Asset Management Agreement terminate or be terminated, which may impede efficient management (in relation to Sulets specifically, refer to the risk factor entitled "*Dependence on letting and marketing agreement with Sulets*" above).

No representation or warranty can be made as to the skills or experience of any present or future managers or advisors. Additionally, there can be no assurance that the Facility Managers or the Asset Manager will be in a financial condition to fulfil their respective management responsibilities throughout the term of their respective engagements.

### ***THE OBLIGOR GROUP'S SUCCESS DEPENDS ON ATTRACTING AND RETAINING KEY PERSONNEL***

The success of the Obligor Group depends to a significant extent on the continued services of its Asset Manager (and the Asset Manager's executive management) and the Asset Manager's and the Management Companies' property administration teams, which have substantial experience in the property industry. There can, however, be no guarantee that any or all of the Asset Manager, the executive management or property administration teams will remain employed within the Asset Manager and/or the Obligor Group, as applicable, throughout the life of the Notes.



The sudden and/or unanticipated loss of the services of the Asset Manager or one or more members of the executive management or property administration teams could have an adverse effect on the Obligors' business, financial condition and/or results of operations which could, in turn, have a material adverse impact on the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which in turn may impact the Issuer's ability to make payments in respect of the Notes.

### ***RISK RELATING TO EMPLOYEES OF THE FACILITY MANAGERS***

Significant property management services are provided to the Obligors by Derwent and, in respect of marketing and rent collection at the Properties in Leicester, Sulets. In the event that the Obligors decide to terminate a Facility Management Agreement with Derwent or Sulets and either engages a new service provider or brings the services in-house, there is a risk that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**) may apply. If so:

1. Derwent or Sulets employees providing facility management services to the Group could transfer by operation of law to a new service provider or to the relevant Management Company (if the services are brought in-house), with their continuity of service preserved, and the transferee employer (being either the new service provider or the relevant Management Company) inheriting all rights, liabilities and obligations in relation to the transferring employees (with some limited exceptions in relation to pensions);
2. transferring employees benefit from protection against being dismissed as a result of the transfer or having changes made to their terms and conditions of employment following the transfer, except in limited circumstances; and
3. there are information and consultation obligations in respect of the transferring employees and potentially significant financial liabilities for non-compliance with such obligations.

The Facility Management Agreement with Derwent includes exit indemnities covering at least some of the potential TUPE liabilities set out above, although there are some limitations to the circumstances in which they apply.

The Group will benefit from the indemnity protection if it terminates the Derwent contract and insources all of the services provided under the contract. The Group will also benefit from the indemnity protection if it insources all of the services following the expiry of the Derwent contract.

However, it is likely that the Group will not benefit from the indemnity protection if it only insources some of the services or part of a service following the termination of the Derwent contract (e.g. if it only takes over the facilities management services at three of the 13 Properties). It is also likely that the Group will not benefit from the indemnity protection if it only insources some of the services or part of a service upon the expiry of the Facility Management Agreement with Derwent.

Provided that the Group does not elect to insource some of the services or part of a service following the expiry or termination of the contract, the Group will benefit from the indemnity protection under the Derwent contract.

The Facility Management Agreement with Sulets does not contain any exit indemnities. In the event that the Sulets agreements are terminated, there is a risk that TUPE will apply and the new service provider or the Management Company would be responsible for the above TUPE liabilities, which could be significant. Any new service provider is likely to require any potential TUPE liability to be borne by the Management Companies.

If it is proposed at any point in the future to terminate any of the property management agreements (refer to the section entitled "*Property Portfolio – Facility Management*" for further details), the potential application of TUPE and the potential significant resultant liabilities could have an adverse impact on the Obligors' ability to make payments under the Issuer/Borrower Loans which could, in turn, have an adverse impact on the Issuer's ability to make payments under the Notes.

### ***UNINSURED LOSS IN RELATION TO THE PROPERTY PORTFOLIO***

The Issuer/Borrower Loan Agreement requires the Obligors to carry insurance with respect to the Properties (or diligently enforce all obligations on the part of the superior landlords to insure under the relevant Headlease) in accordance with the terms set out in the Issuer/Borrower Loan Agreement. There are, however, certain types of losses (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures) which are not covered by the required insurance policies. Losses resulting from terrorism, civil commotion and subsidence are currently covered by the insurance policies. There can be no guarantee, however, that losses from terrorism, civil commotion and subsidence or certain other types of losses will remain insurable or economically insurable and therefore covered by the required insurance policies throughout the term of the Issuer/Borrower Loans. No assurance can be given that material losses in excess of insurance proceeds received in respect of a Property will not occur in the future or that any insurance proceeds in respect of a Property will be received at all.

Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also may result in insurance proceeds, if any, being insufficient to repair or rebuild a Property if it is damaged or destroyed. Under such circumstances, the insurance proceeds, if any, may be inadequate to restore the Obligors' economic position with respect to the affected real estate. Should an uninsured loss or a loss in excess of insured limits occur, the Obligors could lose capital invested in the affected Property as well as anticipated future revenue from that Property. In addition, the Obligors could be liable to repair damage caused by uninsured risks. The Obligors would also remain liable for any debt or other financial obligations relating to that Property.

The Obligors' insurance policies are subject to exclusions of liability and limitations of liability both in amount and with respect to the insured loss events.

If such losses occur and are not covered by insurance, there could be an adverse effect on the Obligors' business, financial condition and/or operations. This may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn affect the Issuer's ability to make payments in respect of the Notes.

Pursuant to the Issuer/Borrower Loan Agreement, the Obligors are obliged to ensure that each insurance policy is in the names of the relevant Obligors or its holding company with the Obligor Security Trustee named on such insurance policy as co-insured and first loss payee other than in respect of the Trinity Square Property (where the landlord under the Headlease is responsible for insuring the property).

### ***CLAIMS UNDER THE ACQUISITION SALE AND PURCHASE AGREEMENT***

Brookfield acquired the Group as part of a corporate acquisition in April 2016. While the purchaser obtained warranties from the seller under the sale and purchase agreement, it is possible that there are breaches of those warranties and the purchaser's sole recourse for those warranties is a claim under a warranty and indemnity policy. The warranty and indemnity policy is in the name of BSREP II PBSA Bidco S.à r.l. (which has been merged with the Borrower) and has been assigned as part of the security package for the Initial Issuer/Borrower Loan. There is a policy limit of £41,000,000. The policy period for bringing claims expires on 29 April 2018 for general warranties

and 29 April 2023 for title warranties, tax warranties and tax indemnities. Certain warranties (including a pension warranty regarding TUPE transfers) and a tax indemnity are marked as not being covered by the warranty and indemnity policy. The purchaser would therefore have no remedy for breach of these warranties under the purchase agreement or the warranty and indemnity policy.

### ***ENVIRONMENTAL RISKS IN RELATION TO THE PROPERTY PORTFOLIO***

Various laws may require a current or previous owner, occupier or operator of property to investigate and/or clean-up substances or releases at or from such property that are likely to cause harm to the environment or water pollution. 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 and is not remedied, or is not capable of being remedied, this may result in the 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.

If any environmental liability were to exist or arise in respect of any Property, the Obligor Security Trustee should not incur any such liability prior to enforcement of the Obligor Security, unless it could be established that the Obligor Security Trustee had entered into possession of the relevant Property(ies) or had exercised a significant degree of control or management of either the relevant Property(ies) or the relevant environmental problem(s). After enforcement, the Obligor Security Trustee, if deemed to be a mortgagee or a heritable creditor, in possession, or a receiver appointed on behalf of the Obligor Security Trustee, could become responsible for environmental liabilities in respect of a Property. If the Obligor Security Trustee unduly directed or interfered with the actions of the directors of the legal owners of the Properties or directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Obligor Security Trustee.

### ***OBLIGORS ARE EXPOSED TO HEALTH AND SAFETY RISKS***

There is a risk that changes to health and safety legislation could have an adverse impact on an Obligor's business and require unplanned and unbudgeted capital expenditure to ensure compliance. In addition, non-compliance by an Obligor may result in prosecution and fines by the Health and Safety Executive.

One area of importance is the regulation of houses in multiple occupation (also known as **HIMOs**). 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 the Obligor's accommodation, this would result in an additional compliance burden it does not currently undertake.

Such unplanned or unbudgeted capital expenditure, or payment of any significant fines, may adversely affect the Obligors' ability to make payments to the Issuer in respect of the

Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

***THERE IS A RISK OF ACCIDENTS CAUSING PERSONAL INJURY AT PREMISES OWNED OR MANAGED BY THE OBLIGORS, WHICH COULD RESULT IN LITIGATION AGAINST THE OBLIGORS AND/OR HARM TO THE OBLIGORS'REPUTATION***

There is a risk of accidents at premises owned by the Obligors, which could result in personal injury to tenants, people visiting the premises, employees, contractors or members of the public. The Obligors place great importance on health and safety and have approved policies and procedures applicable to all their locations. In addition, the Obligors have public liability insurance in place which they consider provides an adequate level of protection against third party claims. However, should an accident attract publicity or be of a size and/or nature that is not adequately covered by insurance, the resulting publicity and costs could have an adverse impact on the Obligors' reputation, business, financial condition or results of operations. In such instance, the Obligors' ability to put in place public liability insurance cover in the future may also be adversely affected. Such impact may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

***RISK RELATING TO INSURANCE OF THE TRINITY SQUARE PROPERTY AND THE UPPERTON ROAD PROPERTY***

The south and north blocks of the Trinity Square Property and one title at the Upperton Road Property are leasehold titles. The relevant landlord covenants to insure the property against usual comprehensive risks and to use reasonable endeavours to procure co-insurance with the tenant. The relevant landlord also agrees to use reasonable endeavours to obtain a waiver of subrogation rights from the insurer and (where it has not been able to obtain co-insurance) to note the tenant's and its mortgagee's interest. In the event of damage as a result of an insured risk, the landlord is required to apply the insurance monies in restating the property.

The Obligors (and, therefore, the Issuer as lender under the Issuer/Borrower Loan Agreement) are therefore dependent on the landlords to maintain adequate insurance and to reinstate the property should the building be damaged by an insured risk. In practice, insurers will not release funds without the consent of all interested parties, unless reinstatement is in fact taking place. It is unclear if co-insurance will be available for the Obligors with respect to these properties. In the event of a breach by the landlords of their obligations to insure, the tenants would have a claim for breach of contract but there is no assurance that this claim will be of any value.

***ISSUES RELATING TO LIDL AFFECTING THE UPPERTON ROAD PROPERTY***

The retail unit at the Upperton Road Property is subject to a long lease to Lidl UK GmbH (**Lidl**) for a term of 999 years at peppercorn rent (the **Retail Lease**). A transfer deed dated 18 February 2015 purported to apportion rights and obligations within the Retail Lease between the Property and the land retained by the transferor (which included the former CHP building). The purported apportionment of the burden of the landlord's obligations under the Retail Lease is not effective, so the relevant Propco is bound (a) to pay a service charge in connection with use of a car park in the demise of the lease and (b) by an obligation to Lidl not to allow part of the former CHP building to be used as food retail. However, the Property that the Propco owns does not cover that part of the CHP building that is subject to the prohibition on food retail and there is no covenant or indemnity from the owner of that part of the CHP building in favour of the Propco in respect of the covenant not to use the premises as food retail. This means there is a risk of the ground floor of the building being used for food retail and Lidl would have a claim against the relevant Propco for breach of covenant, but this could be outside the relevant Propco's control. An insurance policy has been

taken out to cover the risk outlined at (b) above with an indemnity of £5,000,000. Such insurance policy is for the benefit of GL Europe Upperton Road UK Limited (the Upperton Road Property is now owned by Propco 2) and has been assigned as part of the security package for the Initial Issuer/Borrower Loan.

### ***RELIANCE ON THE INITIAL VALUATION REPORT***

The full valuation in respect of the Property Portfolio was carried out as at 30 September 2016 and is set out in the valuation report dated 28 November 2016 (the **Initial Valuation Report**) prepared by the Valuer. See the Initial Valuation Report contained in Appendix 1. 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 the valuations set out in the Initial Valuation Report. This may be as a result of a reduction in the rental rates achievable in respect of certain or all of the Properties. Other 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. Furthermore, the valuation of real estate is inherently subjective due to, among other factors, the individual nature of each Property, its location and the expected future rental revenues from that particular Property at a particular point in time, and subject to various limitations, qualifications and assumptions.

Assumptions often differ from the current facts regarding such matters, may prove to be inaccurate, and are subject to various risks and contingencies, many of which are not within the control of the Issuer, the Issuer Security Trustee or the Obligor Security Trustee. Moreover, a valuation is only an estimate of value at the date it is given and should not be relied upon as a measure of realisable value in the future.

Further, a valuation seeks to establish the amount a typically motivated buyer would pay a typically motivated seller. Such amount could be significantly higher than the amount obtained from the sale of any of the Properties in a distress or liquidation sale. In addition, due to the inherently subjective nature of a valuation, (a) it is unlikely that any two Valuers will determine the same market value of a property, even if provided with the same information relating thereto and, as such, (b) a margin of error between two valuations is commonly accepted. The assumptions and risks relating to the Initial Valuation Report are set out in the section entitled "*Valuation Conditions and Assumptions*" of the Initial Valuation Report.

There can be no guarantee that the sale of any of the Properties by an Obligor would necessarily realise the value at which such Property is held in its accounts.

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 Issuer/Borrower Loan Agreement. If any Property is sold following an Obligor 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.

### ***REPORTS AND VALUATIONS IN RELATION TO THE PROPERTY PORTFOLIO***

There is a risk that there may be factors concerning the Properties which would, if known, affect the Properties' market value. In order to mitigate this risk, the below certificates and reports were produced. There can be no assurance that the below certificates and reports will have identified all relevant factors relating to the Properties (whether as to title, structurally or otherwise). In addition, there can be no assurance that relevant factors affecting title have not arisen following the production of the certificates and reports.

Apart from:

1. the certificates of title, substantially in the City of London Law Society standard form, 7th edition, prepared and delivered on 28 April 2016 in connection with the Properties;
2. the update letters in respect of the certificates of title described in paragraph 1 above, each dated 20 February 2017;
3. the Initial Valuation Report;
4. the vendor technical due diligence review report prepared by Savills (UK) Limited issued on 4 March 2016 in relation to the Properties; and
5. the environmental assessments prepared by Delta-Simons Environmental Consultants Limited dated February 2016 in relation to the Properties,

no reports have been prepared specifically, or made available, for the purpose of this Prospectus or the transactions contemplated herein and none of the Issuer, the Arrangers, the Bookrunners, the Obligor Security Trustee, the Issuer Security Trustee or the Note Trustee has made any independent investigation of any of the matters stated therein, except as disclosed in this Prospectus.

***PROPERTY ACQUISITION INVOLVES CERTAIN RISKS, INCLUDING RISKS RELATING TO LIABILITIES ASSOCIATED WITH THE PROPERTY AND RISKS OF COST INFLATION***

Properties in the Property Portfolio may change over time as a result of Obligors acquiring new properties. The acquisition of properties involves a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the properties. While it is the Obligors' policy to always undertake sufficient and appropriate valuations and environmental and structural surveys in order to assess those risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances or other environmental liabilities may still emerge. Any such liabilities or unexpected problems might impact the value of the Obligors' assets. Such impact may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

***THE ASSET MIX AND THE RISK PROFILE OF AN OBLIGOR MAY CHANGE OVER TIME AS A RESULT OF IT ACQUIRING FURTHER PROPERTIES AND DISPOSING OF PROPERTIES***

The asset mix and the risk profile of the Obligors may change over time, in connection with:

- (a) an issue of Further Notes, Replacement Notes or New Notes (and any associated acquisition or disposal of Properties) and/or an issue of Further Mezzanine Notes, Replacement Mezzanine Notes or New Mezzanine Notes (and any associated acquisition or disposal of Properties);
- (b) the acquisition of an Incoming Property (or the accession of a new Obligor which owns properties); or
- (c) the disposal of a Property (or the disposal of an Obligor).

As a consequence of an Incoming Property being acquired or of a Property being disposed, the relevant Obligor(s) may hold a greater proportion of the overall supply of rooms for a particular geographical area. The risks associated with the effect of a disposal or acquisition of Properties on the value and income generative capacity of all the Properties are somewhat mitigated by the

disposal and acquisition criteria (see the sections entitled "*Issuer/Borrower Loan Agreement – Disposals*" and "*Issuer/Borrower Loan Agreement – Acquisitions*" for further details), which are intended to maintain the overall quality of the Property Portfolio. For example, an Incoming Property must pass certain tests, including, if the acquisition of such property is funded from the issue of Further Notes, that the issue of Further Notes would not reduce the long-term credit rating of the Notes. The disposal of a Property must also pass certain tests. See the section of this Prospectus entitled "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement*" for further details in relation to the various acquisition and disposal tests. The tax risks associated with the acquisition or disposal of the Properties are regulated by the provisions of the Tax Deed of Covenant (see further the section of the Prospectus entitled "*Overview of certain other Obligor Transaction Documents – Tax Deed of Covenant*").

An Incoming Property may be located anywhere in the United Kingdom. As such, following the Closing Date, Properties in Scotland and Northern Ireland could be included in the Property Portfolio.

### ***OBLIGORS MAY INCLUDE PROPERTIES WITH LATENT DEFECTS***

There is a risk that buildings which have been constructed as part of any of the Obligor's 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. Where an Obligor has procured new buildings under a construction contract, the relevant building contractor will be obliged to maintain professional indemnity insurance and an Obligor would seek to recover the costs of remediation of that risk from the building contractor or its insurers. The recovery of those sums is a business risk and would not generally relieve the relevant Obligor from its obligations to keep the buildings in a good state of repair and condition. In the event a latent defect requires significant capital expenditure and/or an Obligor is unable to recover the costs of remediation from other sources, such expenditure could adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***NO RECOURSE FOR CONSTRUCTION DEFECTS***

The Property Portfolio comprises properties of relatively recent construction, with all Properties having a weighted average age, since construction or last major refurbishment, of over six-and-a-half years.

Several of the contractors and consultants involved in the construction or refurbishment of the Properties are in liquidation or administration, meaning there is no or limited recourse to them under the terms of the relevant contractor and consultancy agreements. In particular, the Newcastle 1 Property was constructed in 2015 and the contractor (GB Building Solutions Limited) and its parent entered into administration in March 2015.

In respect of newly constructed properties, such as the Newcastle 1 Property, it is possible that defects with construction come to light that would have otherwise resulted in a claim under the contracts with the relevant contractors, but as the relevant contractor is now in liquidation or administration, it is not possible to make a claim.

### ***REAL ESTATE IS ILLIQUID***

Real estate is illiquid and can be difficult to sell. The instances in which the Obligors would need to realise cash from their investments (whether by disposal of the Properties to their own co-investment vehicles or other third parties) are likely to be rare and required in the scenario where

the valuations of the Properties have fallen to such a level that the disposal of the Properties is necessary. In such instances, the inability of the Obligors to sell the Properties for adequate consideration may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payment in respect of the Notes.

### ***PROPERTY INVESTMENT MAY BE AFFECTED BY LEGAL AND REGULATORY CHANGES***

The risks incidental to the ownership of real estate include changes in relation to tax and landlord/tenant, environmental protection and safety and planning laws, as well as land use and building regulation standards.

If these laws and regulations are changed, or new obligations imposed, property development and investment may become more difficult or costly, and therefore have an adverse effect on the income from, and value of, any Properties owned by the Obligors. New laws may be introduced which may be retrospective and affect existing planning consents.

In addition, investors in the Notes should note that changes in the legal framework concerning planning rules in the United Kingdom may negatively influence the values of properties which could have an adverse effect on the value of any Properties.

From time to time, regulations are introduced which can impact on the costs of property ownership and which can affect returns. In recent periods, these have included provisions for the containment and management of asbestos in buildings, regulations concerning the provision of access for disabled persons and provisions for the measurement and reporting of the energy efficiency of buildings. Such impact may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

### ***COMPULSORY PURCHASE***

Any property in the United Kingdom may at any time be compulsorily acquired by a public authority possessing compulsory purchase powers (for instance, local authorities and statutory undertakers (including electricity, gas, water and railway undertakers) in respect of their statutory functions) if it can demonstrate that the acquisition is required.

Any promoter of a compulsory purchase order would need to demonstrate that the compulsory purchase was necessary or desirable for the promoter's statutory functions and/or in the public interest.

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 open market value of the owners' proprietary 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 in the future. Certain compensation received in connection with any compulsory purchase order of a Property is required to be applied in prepayment of the Issuer/Borrower Loans. However, there is no guarantee that the amount or timing of the compensation received in



connection with any compulsory purchase order of a Property, would not adversely affect the relevant Obligor's ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

No compulsory purchase proposals in respect of the Properties have been revealed by the certificates of title.

### ***DEFAULT UNDER HEADLEASES***

Ten of the Properties held by the Propcos are entirely freehold, one of the Properties (the Trinity Square Property) is long leasehold and two of the Properties (the Sheffield 3 Property and the Upperton Road Property) are held part freehold and part leasehold (such leasehold interests (together with the Trinity Square Property), the **Headleases**). The Trinity Square Property is held under two separate Headleases, each for a term of 125 years from 24 June 2008. There are four leasehold interests in respect of the Sheffield 3 Property, with terms under the Headleases ranging from 700 years from 15 March 1827 to 125 years from 2 April 2007. The Headlease of the leasehold part of Upperton Road Property is for a term of 999 years from 18 February 2015.

As these Properties are held under leases, there is a risk in each such case that the landlord of the relevant Property may terminate the Headlease before the expiry of the contractual term for failure to pay rent or another breach of tenant obligation. The rent obligations under these leases are for nil or nominal sums. The most onerous tenant obligation in the Headleases is typically an obligation to keep the buildings in good repair. Under the terms of the Headleases of Trinity Square Property, the Propco tenant is required to contribute by way of service charge to the costs of maintaining the centre, including the buildings, of which the student accommodation forms part. Each Obligor will undertake in the Issuer/Borrower Loan Agreement to pay, when due, all sums payable by it under each Headlease, to perform and observe all of its covenants under each Headlease and not to commit a material breach of any Headlease.

If any such breach occurs, the landlord may commence court proceedings or otherwise take action to terminate the Headlease by way of "forfeiture" (or irritancy in Scotland), although court proceedings are more likely given the residential use to which the premises are put.

If this were to occur, the relevant Propco (and/or the Obligor Security Trustee as mortgagee or heritable creditor) would have the right to apply to the court for relief from forfeiture (or irritancy in Scotland). If granted, this would result in the continuation of the lease.

Relief is a discretionary remedy in England and Wales and Northern Ireland granted at the discretion of the court. While its grant can never be guaranteed, a court is likely to look favourably on an application for relief provided the tenant (a) has remedied the breach so far as the breach is remediable, (b) has indicated that it intends to abide by the lease in future, and (c) is able to place the landlord (in practical terms) in the same position as if the breach had not been committed (including paying the landlord's costs, together with compensation if necessary). In Scotland, in cases of non-monetary breach the court will look at the circumstances involved but there is not the same formal relief as is recognised in England and Wales.

The main situations where relief is likely to be refused are (i) where the breach in question was committed wilfully, (ii) where the breach causes stigma to apply to the premises, and/or (iii) where there has been a breakdown in relations between the parties. Relief will therefore be granted in many cases, although there can be no assurance of this.

## ***FRUSTRATION IN RESPECT OF THE LEASES***

A Direct Occupational Lease in respect of a Property could, in exceptional circumstances, be frustrated under English law, Northern Irish law or Scots law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue. If a significant number of Direct Occupational Leases were so frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, the relevant Property. This in turn could adversely affect the relevant Obligor's ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

## ***MATTERS AFFECTING TITLE IN RELATION TO THE PROPERTY PORTFOLIO***

A number of the Properties are subject to restrictive covenants (or title conditions). Some of these covenants are unknown (where documents are lost, the Land Registry imposes protective entries in case the lost documents do indeed contain restrictive covenants), some of the restrictive covenants affect only part of a Property and some of the restrictive covenants could have been breached. This could lead to the person with the benefit of the restrictive covenants, in certain circumstances, enforcing such covenants and potentially adversely affecting the current use and/or marketability of the relevant Property and giving rise to an exposure for damages.

Some of the Properties are also subject to defects in title, including small parts held on good leasehold or possessory title, or (in the case of the Sheffield 3 Property) small parcels of land that fall within the boundary of the Property that are not registered and to which title cannot be deduced or the building constructed on the Property may extend beyond the boundary of the Property and overhang the highway without the requisite licence being obtained, which could adversely affect the current use and/or marketability of the Properties.

In respect of those Properties, affected title indemnity insurance has been put in place. However, if any of the insurance policies were to be avoided by the insurers or any of the insurers were to become unable to meet their commitments, or the insurance cover were to be inadequate, there is the potential for loss. This could have an adverse impact on the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

## ***DELEGATION UNDER THE OBLIGOR TRANSACTION DOCUMENTS***

Except to the limited extent described herein, none of the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee nor any Noteholder has any right to participate in the management or affairs of the Issuer, the Borrower, any of the other Obligors or the Asset Manager. In particular, such parties cannot supervise the functions relating to the management or operation of the Properties and the leasing and re-leasing of the space within the Properties or otherwise.

None of the Borrower, the Propcos or the Management Companies has executive management resources of its own and, as such, they will each rely upon, *inter alia*, the Asset Manager and other service providers for all asset servicing, executive and administrative functions. Failure by any such party to perform its obligations could have an adverse effect upon the Issuer's ability to repay the Notes. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner, and engaged on terms acceptable to the Issuer (refer to the risk factors entitled "*Dependence on letting and marketing agreement with Sulets*" and "*Risks relating to facility management and asset management*" above). In either case, this might cause a downgrading in the then current ratings of the Notes by the Rating Agency.

## **B. CONSIDERATIONS RELATED TO THE NOTES**

### ***ISSUER HAS ABILITY TO ISSUE FURTHER NOTES, NEW NOTES AND REPLACEMENT NOTES***

The Issuer has the ability to issue New Notes, Further Notes and Replacement Notes. If issued, such Notes would rank *pro rata* and *pari passu* with all of the Notes (no New Notes, Further Notes or Replacement Notes can be issued on a subordinated or priority basis).

If for any reason the Issuer does not have sufficient funds to enable the Issuer to make payments in full of interest, principal and other amounts (if any) due on any New Notes or Further Notes that the Issuer issues following the Closing Date, this will impact the Issuer's ability to make payments in full of interest, principal and other amounts (if any) due on the Notes as they will rank *pro rata* and *pari passu* with payments due on such New Notes and/or Further Notes and vice versa.

### ***THE NOTES WILL NOT BE GUARANTEED BY ANY PERSON AND THE ISSUER'S OBLIGATIONS ARE LIMITED RECOURSE***

The Issuer is the only entity responsible for making any payments on the Notes. The Notes will be (including in respect of any Further Notes, Replacement Notes or New Notes issued after the Closing Date) obligations of the Issuer only and will not be (including in respect of any Further Notes, Replacement Notes or New Notes issued after the Closing Date) obligations or responsibilities of, or guaranteed by, any other person or entity, including the Arrangers, the Bookrunners or their respective affiliates, the Borrower, any other Obligor, Brookfield or the Brookfield Funds. The Notes will not be (including in respect of any Further Notes, Replacement Notes or New Notes issued after the Closing Date) obligations or responsibilities of, and will not be guaranteed by, any person (other than the Issuer) and no person other than the Issuer will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Furthermore, the Notes will be (including in respect of any Further Notes, Replacement Notes or New Notes issued after the Closing Date) limited recourse obligations of the Issuer. If the Issuer has insufficient funds to make payment of the full amount of the Notes after enforcement of the Issuer Security, then the Issuer Secured Creditors (which will include the Noteholders) shall have no further claim against the Issuer or its directors or shareholders in respect of any amounts owing to them which remain unpaid and such amounts shall be deemed discharged in full and the Issuer's payment obligations will cease.

### ***LIMITED RESOURCES OF THE ISSUER***

The Issuer is a special purpose financing entity with no business operations other than the issue of the Notes, the entering into of the Issuer/Borrower Loan Agreement and the 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 Borrower under the Issuer/Borrower Loan Agreement (see the risk factor entitled "*The Borrower's ability to meet its obligations in respect of the Issuer/Borrower Loans*" below) and amounts available to be drawn under the Issuer Liquidity Facility and/or from the Issuer Liquidity Standby Account and the Issuer Liquidity Reserve Account (as applicable).

Other than the foregoing, prior to enforcement of the Obligor 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, principal and/or other amounts (if any) which would otherwise be paid in accordance with the Conditions.

If, on default by the Borrower and/or the other Obligor and following the exercise by the Servicer or the Special Servicer and the Obligor Security Trustee of all available remedies in respect of the Issuer/Borrower Loans and the Obligor Security, the Issuer does not receive the full amount due from the Borrower and/or the other Obligor under the Issuer/Borrower Loan Agreement, 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 Issuer does not guarantee or warrant full and timely payment by the Borrower and/or the other Obligor of any sums under the Issuer/Borrower Loan Agreement.

Similar to the Issuer, the Borrower is a special purpose financing entity with no business operations other than the entering into of the Issuer/Borrower Loan Agreement and the transactions ancillary thereto. See the risk factor entitled "*The Borrower's ability to meet its obligations in respect of the Issuer/Borrower Loans*" below.

#### ***ABSENCE OF OPERATING HISTORY OF THE ISSUER: RELIANCE ON AGENTS***

The Issuer is a recently formed English special purpose public limited company whose business will consist solely of the issuance of Notes and the entering into and performance of its obligations under the Issuer Transaction Documents and related agreements and activities, as applicable. The Issuer has no operating history.

Certain of the business activities of the Issuer are to be carried out on behalf of the Issuer by agents appointed by the Issuer for such purpose. Neither the Issuer nor the Corporate Services Provider will have any role in determining or verifying the data received from the Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Paying Agents, the Note Trustee and the Issuer Security Trustee and any calculations derived therefrom.

#### ***ABSENCE OF SECONDARY MARKET; LIMITED LIQUIDITY OF THE NOTES MAY ADVERSELY AFFECT THE MARKET VALUE OF THE NOTES***

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. The Notes will be new securities for which there is no established trading market. There can be no assurance that a secondary market in the Notes will develop and, if it does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. Consequently, prospective investors in the Notes should be aware that they may have to hold the Notes until their maturity to realise their investment.

In addition, the liquidity and market value of the Notes may fluctuate with changes in prevailing rates of interest, market perceptions of the risks associated with the Notes, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Obligor and other market conditions. Past events in the real estate and securitisation markets, and in the debt markets and the economy generally, have caused significant dislocations, illiquidity and volatility in the markets for commercial mortgage backed securities as well as in the wider global financial markets (see the risk factors entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and "*A change of law may adversely affect Noteholders*" for further details). Such market disruptions may return in the future and, as well as any future regulatory changes, may have an adverse effect on the market value of debt securities such as the Notes.

In addition, the forced sale into the market of debt securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that experience funding difficulties could adversely affect (a) the ability of investors in the Notes to sell the Notes and/or (b) the price they receive for the Notes in the secondary market. As a result, the secondary market for debt securities, such as the Notes, has experienced, and may continue to experience, limited liquidity which has had, and may continue to have, an adverse effect on the market value of debt securities such as the Notes.

Any over-supply in the secondary market may have an adverse effect on the market value of debt securities such as the Notes.

### ***CONFLICTS BETWEEN THE SERVICER AND THE SPECIAL SERVICER ON ONE HAND AND THE ISSUER ON THE OTHER HAND***

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Issuer/Borrower Loans.

The Issuer has been advised by the Servicer and Special Servicer that each of them intends to continue to service existing and new loans for third parties and/or its own portfolio, as applicable, including loans similar to the Issuer/Borrower Loans, in the ordinary course of their respective businesses. These loans may be in the same market or have common ultimate owners and/or facility and asset managers as the Issuer/Borrower Loans and the Properties. Certain personnel of the Servicer or Special Servicer, as applicable, may, on behalf of the Servicer or Special Servicer, as applicable, perform services with respect to the Issuer/Borrower Loans at the same time as they are performing services, on behalf of other persons or themselves, with respect to other loans in the same market as the Properties securing the Issuer/Borrower Loans. In such a case, the interests of the Servicer or Special Servicer, as applicable, and its affiliates and their other clients may differ from and compete with the interests of the Issuer and such activities may adversely affect the amount and timing of collections on the relevant Issuer/Borrower Loan and could reduce receipts and recoveries under the Issuer/Borrower Loans, which would reduce funds available to make payment on amounts due under the Notes.

Although the potential for a conflict of interest exists in these circumstances, pursuant to the terms of the Servicing Agreement, the Servicer or Special Servicer, as applicable, will be obliged to act in accordance with the Servicing Standard which would require it to service such loans without regard to such other servicing obligations or any ownership of Notes of the Servicer or the Special Servicer.

### ***APPOINTMENT OF SUBSTITUTE SERVICER OR SUBSTITUTE SPECIAL SERVICER***

Subject to the last paragraph of this risk factor, the termination of the appointment of the Servicer or the Special Servicer, or the resignation of the Servicer or the Special Servicer, as applicable, under the Servicing Agreement will only be effective once a substitute servicer, or substitute special servicer as the case may be, has effectively been appointed (see "*Overview of certain Issuer Transaction Documents – The Servicing Arrangements*" for further information).

The Special Servicer can be terminated, pursuant to an Ordinary Resolution of the Noteholders, with no replacement being appointed if so required by the Noteholders (as set out in the Ordinary Resolution). In such circumstances, any responsibilities of the Special Servicer will cease to be its responsibilities and, for example, no Note Maturity Report would be prepared.

There can be no assurance that a suitable substitute servicer or substitute special servicer could be found who would be willing to service the Issuer/Borrower Loans at a commercially reasonable

fee, or at all, on the terms of the Servicing Agreement (even though such agreement provides for the fees payable to a substitute servicer or substitute special servicer to not exceed those then payable generally to providers of commercial mortgage loan servicing in the United Kingdom).

In any event, the ability of such substitute servicer or substitute special servicer to perform such services fully would depend on the information and records then available to it. The fees and expenses of a substitute servicer or substitute special servicer performing services in this way would be payable in priority to payment of interest and principal under the Notes.

### ***ENFORCEMENT BY SERVICER AND SPECIAL SERVICER***

If the Borrower defaults in its obligations in relation to the Issuer/Borrower Loans or the Obligor Security, the Servicer, or, if at the relevant time the Issuer/Borrower Loans are Specially Serviced Loans, the Special Servicer (if one is at the time appointed) will be required to determine the best strategy for exercising the rights of the Issuer in accordance with the Servicing Standard. These determinations may, in certain circumstances, involve the Servicer or the Special Servicer declining or deferring the commencement of formal enforcement proceedings. Instead, the Servicer or the Special Servicer will be entitled to agree to waive or modify certain provisions of the Finance Documents, provided that (*inter alia*) to do so would be in accordance with the Servicing Standard. The strategy of the Special Servicer may include the sale by the Special Servicer of the Issuer's interests in the Issuer/Borrower Loans (see the section entitled "*Overview of certain Issuer Transaction Documents – Enforcement of the Obligor Security*"). The strategy adopted by the Special Servicer may be contrary to an individual bondholder's preferred enforcement strategy.

See the section entitled "*Overview of certain Issuer Transaction Documents – The Servicing Arrangements*" and "*Modifications, waivers, amendments and consents in relation to the Finance Documents*" for further details as to the rights and obligations of the Servicer and the Special Servicer in relation to the enforcement of the Obligor Security and the modification and waiver of the provisions of the Finance Documents.

### ***OTHER POTENTIAL CONFLICTS OF INTEREST***

Subject to any provisions or restrictions contained in any of the Issuer Transaction Documents and/or any of the Obligor Transaction Documents, there are no restrictions on, *inter alios*, the Arrangers, the Bookrunners, the Borrower, the other Obligors (or any subsidiary or affiliate of any such entities) or Brookfield or the Brookfield Funds, *inter alia*, acquiring Notes, purchasing any of the Properties, managing or owning properties similar to the Properties, and/or providing investment advice and/or financing to or for third parties in respect of properties similar to the Properties.

Consequently, conflicts of interest may exist or may arise as a consequence of such entities having different roles in this transaction and/or carrying out other transactions for third parties.

### ***NOTES SUBJECT TO REDEMPTION BY THE ISSUER MAY HAVE A LOWER MARKET VALUE THAN SECURITIES THAT CANNOT BE OPTIONALLY REDEEMED***

The optional redemption features of the Notes are likely to limit their market value. Generally, the market value of the Notes will not rise substantially above the price at which they are capable of being redeemed.

However, it should be noted that the Notes can only be redeemed at the Issuer's option in the event that (i) a change in tax law which becomes effective on or after the Closing Date means, on the next Note Interest Payment Date, the Issuer would be required to deduct or withhold from any payment of principal or interest on the Notes (subject to certain exceptions) any amount for on or

account of any present or future taxes, duties, assessments or governmental charges assessed by the United Kingdom or (ii) by reason of change in law, which becomes effective on or after the Closing Date, it has or will become unlawful for the Issuer to make, fund or allow to remain outstanding the Issuer/Borrower Loans. In addition, as further set out in Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loan) of the Conditions, as a result of any voluntary or mandatory prepayment of the Issuer/Borrower Loans by the Borrower, the Issuer will be required to redeem the Notes in advance of their Note Final Maturity Date (see the section entitled "*Prepayment of the Issuer/Borrower Loan*" and Condition 7 (Redemption)).

At those times, an investor in the Notes generally may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. However a premium may be payable to the Noteholders in certain of these circumstances (see further Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loan)). Potential investors in the Notes should consider reinvestment risk in light of other investments available at that time.

***RATING AGENCY ASSESSMENTS, DOWNGRADES AND CHANGES TO RATING AGENCY CRITERIA MAY RESULT IN RATINGS VOLATILITY IN RESPECT OF THE NOTES***

The ratings to be assigned by the Rating Agency to the Notes reflect only the views of the particular Rating Agency and, in assigning the ratings, a Rating Agency takes into consideration the credit quality of the Obligors and structural features and other aspects of the transaction of which the Notes form part. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in, or unavailability of, information in relation to the Obligors' underlying business and performance or if, in the Rating Agency's judgement, other circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the Obligors and/or circumstances relating to the industry in which the Obligors operate, could have an adverse impact on the ratings of the Notes.

A confirmation from the Rating Agency that any action proposed to be taken by the Issuer or an Obligor will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Issuer Transaction Documents or the Obligor Transaction Documents, as applicable, or (ii) is in the best interests of, or not prejudicial to, the Noteholders. While each of the Issuer Secured Creditors (including the Noteholders), the Issuer Security Trustee and the Note Trustee (as applicable) is entitled to have regard to the fact that the Rating Agency has confirmed that the then current ratings of the Notes would not be adversely affected by such action, the above does not impose or extend any actual or contingent liability on the Rating Agency to the Issuer Secured Creditors (including the Noteholders) and the Note Trustee) or the Issuer or any other person or create any legal relationship between the Rating Agency and the Issuer Secured Creditors (including the Noteholders and the Note Trustee) or any other person whether by way of contract or otherwise.

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

In the event that any one or more of the Rating Agencies is or are unable to provide a confirmation for any reason other than related to the rating itself, the Borrower can instead provide a director's certificate to the Issuer, certifying, after having made all reasonable enquiries, together with evidence to support its certification, that the relevant matters will not, in its reasonable belief, result in (a) the then current ratings of the Notes rated being qualified, downgraded or withdrawn as a result of the relevant matters, or (b) if the original rating of the Notes has been downgraded previously, the relevant matters preventing the restoration of such original rating of the Notes. The Borrower is required to give the Issuer a reasonable time to review (and if necessary dispute) such certification and request further information in relation to such certification.

While Fitch will not initially rate the Notes, should it rate the Notes at a future date, it has indicated that it will no longer provide ratings confirmations as a matter of policy. A confirmation from the Rating Agency that (a) any action proposed to be taken by the Issuer or an Obligor or (b) the Issuer consenting to any action proposed to be taken by an Obligor, will not have an adverse effect on the then current rating of the Notes does not, for example, confirm such action.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Credit rating agencies review their rating methodologies on an ongoing basis and there is a risk that changes to such methodologies will adversely affect credit ratings of the Notes even where there has been no deterioration in respect of the criteria which were taken into account when such ratings were issued.

### ***CREDIT RATINGS MAY NOT REFLECT ALL RISKS RELATING TO THE NOTES***

One or more independent credit rating agencies may assign an unsolicited credit rating to the Notes. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and below and other factors that may affect the value of the Notes. Such a rating may be lower than the rating assigned to the Notes by the Rating Agency and may impact the market value of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to the transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

### ***DEFINITIVE NOTES AND DENOMINATIONS IN INTEGRAL MULTIPLES***

The Notes will have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may



not receive a definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

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

***THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS***

Each potential 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 and conditions of the Notes and the underlying transaction and be familiar with the 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 (in terms of market value and otherwise) and its ability to bear the applicable risks. In particular (without limitation), potential investors should be aware that the Notes accrue interest at a fixed rate. As such, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

A potential investor should not invest in the 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.

***CERTAIN ISSUER SECURED CREDITORS AND OBLIGOR SECURED CREDITORS WILL RANK AHEAD OF THE NOTEHOLDERS AND THE ISSUER, RESPECTIVELY, IN RESPECT OF THE ISSUER SECURITY AND OBLIGOR SECURITY, RESPECTIVELY***

In the event that the Issuer Security is enforced, the proceeds of such enforcement may be insufficient, after payment of amounts ranking in priority to the Notes, to pay, in full, all amounts of principal, interest and other amounts (if any) due in respect of the Notes.

Although the Issuer Security Trustee will hold the benefit of the Issuer Security on trust for, *inter alios*, the Noteholders and the Obligor Security Trustee will hold the benefit of the Obligor Security on trust for, *inter alios*, the Issuer (as lender to the Borrower of the Issuer/Borrower Loans), such security interests will also be held on trust for other Issuer Secured Creditors and Obligor Secured Creditors, respectively, that will rank ahead of the Noteholders and the Issuer (as lender to the Borrower of the Issuer/Borrower Loans). Certain of the Issuer's obligations to, *inter alios*, the Note

Trustee (in its individual capacity), the Issuer Security Trustee (in its individual capacity), the Paying Agents, the Issuer LF Providers and the LF Agent (under the Issuer Liquidity Facility), the Issuer Cash Manager and the Issuer Account Bank in respect of certain amounts owed to them rank ahead of the Noteholders (see the section of this Prospectus entitled "*Payment Priorities*"). To the extent that significant amounts are owing to any such persons, the amounts available to the Noteholders will be reduced. Likewise, certain of the Obligors' obligations to certain Obligor Secured Creditors will rank ahead of, or *pari passu* with, their obligations to the Issuer (as lender to the Borrower of the Issuer/Borrower Loans) under the Issuer/Borrower Loan Agreement. Such persons include, *inter alios*, the Obligor Security Trustee (in its individual capacity) and any Hedge Counterparty under a Hedging Agreement (see the section of this Prospectus entitled "*Payment Priorities*").

***REFINANCING RISK RELATING TO THE ISSUER/BORROWER LOANS MAY AFFECT THE ABILITY OF THE ISSUER TO REDEEM THE NOTES ON THEIR NOTE EXPECTED MATURITY DATE OR THEIR NOTE FINAL MATURITY DATE***

There is no guarantee that the Obligor Group will be able to refinance the Issuer/Borrower Loans.

Unless previously repaid, the Borrower will be required to repay the Issuer/Borrower Loans on their Loan Final Maturity Date (which will be the same as the Note Expected Maturity Date of the Notes).

The ability of the Issuer to redeem the Notes on their Note Final Maturity Date is dependent on the repayment in full of the corresponding Issuer/Borrower Loan by the Borrower and the Borrower having sufficient funds to pay all amounts ranking *pari passu* and senior thereto. The ability of the Borrower to repay an Issuer/Borrower Loan in its entirety on its Loan Final Maturity Date will depend upon, among other things, its ability to find a lender or lenders willing to lend to the Borrower and/or the other Obligors sufficient funds to enable repayment of the relevant Issuer/Borrower Loan. If the Borrower and/or other Obligors cannot find such a lender or lenders, then the Obligors (other than the Borrower) may be forced, in circumstances which may not be economically advantageous, into selling some or all of the Properties in order to facilitate the repayment of the Issuer/Borrower Loans (the proceeds of a disposal of a Property will be applied towards, among other things, a *pro rata* prepayment of all of the Issuer/Borrower Loans then outstanding). Failure by the Borrower and/or other Obligors to refinance an Issuer/Borrower Loan or to sell the Properties will result in the Borrower defaulting under the Issuer/Borrower Facilities (which will affect all of the Issuer/Borrower Loans then outstanding). In the event of such a default, the Noteholders may receive by way of principal repayment an amount less than the then Principal Amount Outstanding of their Notes.

If, on or before the date falling 12 months prior to the Note Final Maturity Date, the Issuer/Borrower Loans remain outstanding and, (if a Special Servicer is then appointed) in the Special Servicer's opinion (acting in accordance with the Servicing Standard), all recoveries then anticipated by the Special Servicer with respect to the Issuer/Borrower Loans are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Note Final Maturity Date, the Note Maturity Report provisions of the Servicing Agreement will become relevant. Refer to the section entitled "*Overview of certain Issuer Transaction Documents – The Servicing Arrangements*" for details. A realisation required to be undertaken due to the operation of the Note Maturity Report provisions may be undertaken in unfavourable market conditions which may reduce the amount recovered by the Issuer Security Trustee and hence the amount available to repay the Notes and any interest and other payments due on the Notes.

***MODIFICATIONS, WAIVERS AND CONSENTS IN RESPECT OF THE OBLIGOR TRANSACTION DOCUMENTS AND THE ISSUER TRANSACTION DOCUMENTS AND***

***ENFORCEMENT OF THE OBLIGOR SECURITY AND THE ISSUER SECURITY MAY BE MADE WITHOUT THE KNOWLEDGE OR CONSENT OF INDIVIDUAL NOTEHOLDERS***

Certain decisions by the Note Trustee may be made without the knowledge or consent of individual Noteholders. The Note Trust Deed contains provisions which determine the rights of and the resolution procedures regarding conflicts of interest between the Noteholders. The Note Trust Deed also grants the Note Trustee certain powers regarding, inter alia, modification, waiver or authorisation of any breach or proposed breach by the Issuer under the Notes or any of the Issuer Transaction Documents, subject to certain limitations (as more particularly set out below).

The Note Trustee may, without the consent or sanction of the Noteholders or any of the other Issuer Secured Creditors (other than any Issuer Secured Creditor which is a party to the relevant Issuer Transaction Document) at any time and from time to time, concur with the Issuer and any other person, or direct the Issuer Security Trustee to concur with the Issuer or any other person, in making any modification to the Notes, the Conditions, the Note Trust Deed, the Issuer Deed of Charge and/or the other Issuer Transaction Documents or to any other document to which it or the Issuer Security Trustee is a party or over which the Issuer Security Trustee holds security, or give its consent to any event, matter or thing or direct the Issuer Security Trustee to do so, if: (a) (other than a Basic Terms Modification) in its opinion, and provided the Note Trustee is of the opinion that such modification or consent will not be materially prejudicial to the interests of the Noteholders; and (b) in its opinion, such modification is to correct a manifest error or is of a formal, minor or technical nature.

The Note Trust Deed provides that if the Issuer is of the opinion that any modification (other than in respect of a Basic Terms Modification) is required to be made to the Issuer Transaction Documents and/or the Conditions in order to comply with, or implement or reflect, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, the Issuer shall provide at least 30 calendar days' notice to the Noteholders of the proposed modification in accordance with Condition 17 (Notice to Noteholders) and by publication on Bloomberg L.P. on the "Company News" screen relating to the Notes. Subject to certain other conditions being met as referred to in Condition 14.10(c), if, within 30 calendar days from service of such notice, Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding have not notified the Note Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) that they reject the proposed modification, then Noteholders will be deemed to have accepted such modification.

Any such modification may be made on such terms and subject to such conditions (if any) as the Note Trustee may determine, shall be binding upon the Noteholders and shall be notified by the Issuer to the Noteholders in accordance with the Conditions (unless the Note Trustee agrees otherwise) and to the Rating Agencies, in each case as soon as practicable thereafter. There can be no assurance that such modifications would not increase the costs of the Issuer or reduce the returns to the Noteholders.

The Conditions and the Note Trust Deed will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions and the Note Trust Deed will also provide that the Note Trustee, may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, (ii) determine without the consent of the Noteholders that any Note Event of Default or Potential Note Event of Default shall not be treated as such, or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer provided, in each

case, that the Note Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders.

***NOTES IN BOOK-ENTRY FORM WILL BE SUBJECT TO THE RULES OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG, WHICH MAY NOT BE ADEQUATE TO ENSURE THE OWNERS THEIR TIMELY EXERCISE OF RIGHTS UNDER THE NOTES***

The Notes will initially only be issued in global form and deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Interests in the Global Note will trade in book-entry form only. The common safekeeper, or its nominee, for Euroclear and Clearstream, Luxembourg is and will be the sole holder of the Global Note 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 holder of Notes.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act 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 INVESTMENTS IN THE NOTES***

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

***TRANSFER OF THE NOTES WILL BE RESTRICTED, WHICH MAY ADVERSELY AFFECT THEIR LIQUIDITY AND VALUE***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. The offering of the Notes (and beneficial interests therein) will be made pursuant to exemptions from the registration provisions of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of the Notes (and beneficial interests therein) are subject to certain transfer restrictions. Potential Noteholders should read the discussions in the section of this Prospectus entitled "*Subscription and Sale; Transfer Restrictions*" for further information about these and other transfer restrictions. It is the obligation of each Noteholder to ensure that its offers and sales of Notes comply with applicable law. Potential Noteholders are advised to consult legal counsel in connection with any such reoffer, resale, pledge or other transfer.

***CALCULATION OF AMOUNTS AND PAYMENTS***

The Issuer Cash Manager, under the Issuer Transaction Documents, will rely on the Servicer and the Special Servicer to provide it with information on the basis of which it will make the determinations required to calculate payments due on the Notes on each Determination Date. If the Servicer or, as the case may be, the Special Servicer fails to provide the relevant information to the Issuer Cash Manager (or fails to do so within the required timeframe), the Issuer Cash

Manager may not be able to accurately calculate amounts due to Noteholders on the related Note Interest Payment Date. In addition, if the Obligor fails to provide the Servicer with the relevant information it requires to make determinations required to calculate payments due under the Issuer/Borrower Loans (or fail to do so within the required time frame), the Servicer may not be able to accurately calculate amounts due under the Issuer/Borrower Loan to the Issuer.

If the Servicer, or, as the case may be, the Special Servicer, fails to supply the Issuer Cash Manager with any information it requires to make any determinations, the Issuer Cash Manager will make all reasonable enquiries of the Servicer or the Special Servicer, as applicable, to obtain such information. If the Servicer or the Special Servicer, as applicable, fails to provide such information, the Issuer Cash Manager will make its determinations based on the information it does have in connection with payments due on the Notes on the relevant Note Interest Payment Date. If the Issuer Cash Manager does not have sufficient information to make such determinations, it can make its determinations based on the information provided to it by the Servicer or, as the case may be, the Special Servicer on the three preceding Determination Dates (or, where there is no information in respect of the three preceding Note Interest Periods, any information received in respect of any preceding Note Interest Periods) and will not be liable to any person (in the absence of gross negligence, fraud or wilful default) for the accuracy of such determinations. There can, however, be no assurance that determinations made on this basis will accurately reflect amounts then due to Noteholders. Similar provisions apply when the Obligor fails to supply the Servicer with any information it requires to make any determinations.

The Conditions of the Notes provide that if, for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders) pursuant to the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities, the Issuer Post-Enforcement Pre-Acceleration Payment Priorities, and the Issuer Post-Enforcement Post-Acceleration Payment Priorities, the Issuer Cash Manager will rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Note Interest Payment Date or Note Interest Payment Dates to the extent required to correct the same. Where such an adjustment is required to be made, the Issuer Cash Manager will notify Noteholders of the same in accordance with the terms of Condition 17 (Notice to Noteholders).

Accordingly, Noteholders should be aware that, in such situations, increased or reduced payments may be made.

Additionally, any person purchasing Notes from an existing Noteholder should make due enquiries as to whether such Noteholder has received an incorrect payment. None of the Issuer, the Issuer Cash Manager, the Issuer Account Bank, the Agents, the Note Trustee, the Issuer Security Trustee, the Servicer or the Special Servicer will have any liability to any Noteholder for any losses suffered as a result of an adjustment relating to an incorrect payment made before such Noteholder acquired the Notes.

### ***RISKS RELATING TO NOTEHOLDER MEETINGS***

A meeting of the Noteholders may be held on 14 clear days' notice. The requisite quorum for such a meeting is one or more persons holding or representing at least, in relation to an Ordinary Resolution, 20 per cent. of the Principal Amount Outstanding and, in relation to an Extraordinary Resolution, 50 per cent. of the Principal Amount Outstanding, in each case of the relevant Class of Notes except where the Noteholders wish to make a Basic Terms Modification. The quorum for Basic Terms Modifications requires one or more persons holding or representing not less than 75 per cent. of the Principal Amount Outstanding of the Notes.

An adjourned meeting of the Noteholders, if in relation to an Ordinary Resolution, will be adjourned to the same day in the next week, and if in relation to an Extraordinary Resolution, may be held on

not less than seven clear days' notice. The requisite quorum for such a meeting (in relation to an Ordinary Resolution or an Extraordinary Resolution) is 10 per cent. of the aggregate Principal Amount Outstanding of the Notes except where the Noteholders wish to make a Basic Terms Modification. The quorum for such meeting where the Noteholders wish to make a Basic Terms Modification requires one or more persons being or representing not less than 25 per cent. of the Principal Amount Outstanding of the Notes.

Noteholders should be aware that unless they have made arrangements to promptly receive notices sent to Noteholders from any custodians or other intermediaries through which they hold their Notes and give the same their prompt attention, meetings may be convened and Extraordinary Resolutions and Ordinary Resolutions, including in relation to the Note Maturity Report and a Basic Terms Modification, may be considered and resolved or deemed to be passed without their involvement.

### ***WORKOUT FEES AND LIQUIDATION FEES***

Upon the discontinuance of any event which would constitute a monetary Special Servicing Transfer Event for two consecutive Loan Interest Periods and the facts giving rise to any other Special Servicing Transfer Event having ceased to exist and no other matter existing which would give rise to the Issuer/Borrower Loans becoming Specially Serviced Loans, the Specially Serviced Loans will become **Corrected Loans**. If the Specially Serviced Loan becomes a Corrected Loan and certain other conditions are met (as described under "*Overview of certain Issuer Transaction Documents – The Servicing Arrangements*"), the Special Servicer will be entitled to a Workout Fee, being a fee equal to 0.25 per cent. of each collection of interest and principal received in respect of the Issuer/Borrower Loans for so long as it remains a Corrected Loan (plus applicable VAT) (the **Workout Fee**). In addition, upon the sale of any part of the Property Portfolio following enforcement of the Specially Serviced Loans, the Special Servicer will be entitled to receive a Liquidation Fee, being a fee equal to 0.25 per cent. of the Liquidation Proceeds which will be payable in accordance with the terms of the Servicing Agreement (the **Liquidation Fee**). Since payments of Workout Fees and Liquidation Fees will be made by the Issuer in accordance with the relevant Issuer Payment Priorities and will be made in priority to amounts due to the Noteholders, payment of any Workout Fees or Liquidation Fees may reduce amounts available to pay to the Noteholders.

### ***NEGATIVE INTEREST RATES***

The Issuer is exposed in certain circumstances to the risk that at any time the interest rate on the Issuer Accounts will be less than zero. Pursuant to the Issuer Account Bank Agreement, the Issuer Account Bank agrees to pay to the Issuer interest on amounts standing to the credit of the Issuer Accounts held with it by the Issuer at the rate set by the Issuer Account Bank from time to time. However, if the applicable interest rate on an Issuer Account is a negative rate, the Issuer will be required to pay to the Issuer Account Bank such rate of interest for holding funds as the Issuer Account Bank may notify the Issuer from time to time.

## **C. CONSIDERATIONS RELATING TO TAX**

### ***ISSUER NOT OBLIGED TO PAY ADDITIONAL AMOUNTS IN THE EVENT WITHHOLDING TAX IS LEVIED IN RESPECT OF THE NOTES***

Although, as at the date of this Prospectus, no withholding or deduction for or on account of United Kingdom income tax will be required on payments of interest on the Notes, provided that the Notes are and continue to be "listed on a recognised stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007 (**ITA**)), there can be no assurance that the law will not change.

In the event that any withholding or deduction for or on account of tax is imposed on payments of interest on the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders. However, if such a withholding or deduction is required to be made for or on account of any tax by reason of a change in tax law (or in the application or official interpretation thereof), the Issuer shall (except in certain limited circumstances and subject to certain protections for the Noteholders) take the actions set out in Condition 7.3 (Optional redemption for taxation or other reasons) of the Notes, which involve, if the same would avoid the imposition of the relevant requirement to make the withholding or deduction for or on account of tax, appointing a paying agent in another jurisdiction or using reasonable endeavours to arrange for the substitution of the Issuer by a company incorporated and/or tax resident in another jurisdiction as principal debtor under the Notes, subject to the provisions set out in Condition 7.3 (Optional redemption for taxation or other reasons) of the Notes being met. If the Issuer is unable, having used its reasonable endeavours, to arrange a substitution or if to do so or appointing a paying agent in another jurisdiction would not avoid such withholding or deduction, then on any Note Interest Payment Date pursuant to and in accordance with Condition 7.3 (Optional redemption for taxation or other reasons)) of the Notes the Issuer may redeem (without premium or penalty) all (but not some only) of the Notes (in each case) at their Principal Amount Outstanding, together with accrued but unpaid interest on the Principal Amount Outstanding of the Notes up to (but excluding) the Note Interest Payment Date on which such redemption occurs to the extent the Issuer has sufficient funds to do so in accordance with the provisions of Condition 7.3 (Optional redemption for taxation or other reasons)) of the Notes.

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Notes is discussed further under "*Tax considerations – United Kingdom taxation*" below.

#### ***WITHHOLDING TAX IN RESPECT OF THE ISSUER/BORROWER LOANS***

The Issuer has been advised that, under current law, all payments made to it under the Issuer/Borrower Loans by the Borrower can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that any withholding or deduction for or on account of United Kingdom tax is required to be made, the amount of any such payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made.

If the Borrower is obliged to make such an increased payment to the Issuer, the Borrower will have the option (but not the obligation) to repay all of the affected outstanding Issuer/Borrower Loans in full. If the Borrower chooses to repay such Issuer/Borrower Loans, the Issuer will then be obliged to redeem the corresponding Notes in accordance with the Conditions. If the Borrower does not have sufficient funds to enable it to make such increased payments to the Issuer or to repay the affected outstanding Issuer/Borrower Loans, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

#### ***VALUE ADDED TAX ADJUSTMENT IN RESPECT OF THE PROPERTIES***

Under certain Value Added Tax (**VAT**) rules known as the Capital Goods Scheme (the **Capital Goods Scheme**), any person who incurs expenditure exceeding certain thresholds on the acquisition or construction of a "capital item" and recovers VAT from Her Majesty's Revenue & Customs (**HMRC**) in respect of such expenditure can be required to adjust the amount of VAT recovered by reference to the extent to which it uses the item to make supplies that are subject to VAT in the period of ten years following acquisition or construction (as the case may be). In a case where all of the VAT incurred on the acquisition or construction of the item has been recovered

and within the ten-year period the item is used to make a supply that is exempt from VAT, an annual adjustment must be made and a proportion of the VAT previously recovered must be repaid to HMRC.

The Issuer understands that the Sheffield 3 Property and the Newcastle 1 Property are both "capital items" in respect of which some or all of the VAT associated with the acquisition or development of those properties, which was incurred by the relevant members of the Obligor Group in the course of acquiring and/or developing those properties, was recovered from HMRC by virtue of taxable long leases of those properties being granted between members of the Obligor Group. The intra-Obligor Group long leases over these properties should remain in place following the restructuring of the Borrower and its subsidiary undertakings (see "*Tax risks related to the formation of the Obligor Group*" below). Provided that these long leases remain in place for a period of ten years following recovery from HMRC of the VAT associated with the acquisition and/or development of these properties, no annual adjustment under the Capital Goods Scheme of VAT previously recovered in respect of these properties should be required. On the other hand, if either of those leases is surrendered and either a new long lease over the relevant property is granted or the member of the Obligor Group which holds that property operates the student accommodation business relating to that property itself, Capital Goods Scheme adjustments will arise and a substantial proportion of the VAT previously recovered in connection with the acquisition and/or development of that property will become repayable by the Obligor Group to HMRC.

In addition, the Propcos may, depending on their future actions, be required to account to HMRC for VAT in respect of their (respective) acquisitions of the Sheffield 3 Property, the Summit Property and part of the Nottingham Property (together, the **RRP Properties**) under a VAT regime that applies where a property is acquired by a purchaser that certifies its intention to use that property solely for a "relevant residential purpose" (such as the provision of student accommodation). Having acquired the RRP Properties under such certification, if those parts of the RRP Properties currently used as student accommodation cease to be so used or if any of the RRP Properties are assigned to a transferee (in the case of the Sheffield 3 Property if the transferee does not use or operate it as student accommodation), in either case before various dates in 2023 and 2024 which in each case represents the tenth anniversary of completion of the acquisition of the relevant RRP Property, this could result in the Propcos incurring substantial liabilities to VAT.

Any liability to make payments or repayments of VAT to HMRC of the kind described above could adversely affect the ability of the Borrower to meet its payment obligations under the Issuer/Borrower Loans, which in turn could adversely affect the Issuer's ability to make payment on the Notes.

### ***WITHHOLDING TAX UNDER THE INTRA-GROUP LOANS***

Various members of the Obligor Group (including the Borrower and each of the Propcos) have given certain representations, warranties and covenants in the Tax Deed of Covenant which (if correct) should have the result that, under current law, all payments of interest under the Intra-Group Loans by the Propcos can be made to the Borrower without deduction or withholding for or on account of any United Kingdom tax. In the event that a withholding or deduction for or on account of any United Kingdom tax is required to be made from any payment of interest due from a Propco to the Borrower under an Intra-Group Agreement, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Borrower will receive a cash amount equal to that which it would have received had no such withholding or deduction been required to be made.



If a Propco is required to make such an increased payment to the Borrower, that Propco will have the option (but not the obligation) to repay all of the affected outstanding Intra-Group Loans. If, in those circumstances, there are insufficient funds to enable such increased payments to be made or to repay the affected Intra-Group Loans, the Borrower may not have sufficient funds to meet its payment obligations under the Issuer/Borrower Loans and/or other payment obligations ranking in priority to, or *pari passu*, with, the Issuer/Borrower Loans, and this in turn may adversely affect the Issuer's ability to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

### **INTEREST DEDUCTIBILITY**

As announced in the 2016 United Kingdom budget on 16 March 2016 and in line with the OECD's recommendations under the "base erosion and profit shifting project", new rules are expected to apply from 1 April 2017 to restrict the deductibility for UK tax purposes of corporate interest expense for both third party and intra-group borrowing. Under current proposals, deductions for interest payments would, very broadly, be restricted for corporation tax purposes to 30 per cent. of a UK group's (modified) earnings before interest, tax, depreciation and amortisation (**EBITDA**), subject to a "group ratio rule" to allow higher levels of deductions where a company's worldwide group has an interest to EBITDA ratio of greater than 30 per cent. It is also currently proposed that there will be a starting threshold whereby the deductibility restriction will only apply to net interest expenses exceeding £2,000,000 per annum. It is not yet known whether these proposals will apply to non-UK resident companies which are subject to UK income tax on the profits of their UK property businesses. However, we note that, as part of the 2016 Autumn Statement, the UK Government announced that it is considering bringing all non-resident companies receiving taxable income from the United Kingdom into the United Kingdom corporation tax regime (i.e. including those non-UK resident landlord companies which currently are only within the scope of income tax). At budget 2017, the UK Government will consult on the case and options for implementing this change. The UK Government has expressed an ambition to deliver equal tax treatment to ensure that all companies are subject to the rules which apply generally for the purposes of corporation tax, including the proposed limitation on the deductibility of corporate interest expense. As such, no assurance can be given as to the impact of such rules on the businesses of the Propcos and the Management Companies. The rules may result in the Intra-Group Loans ceasing to be fully deductible for the Propcos, which could increase the Propcos' liability to United Kingdom tax. In addition, no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

### **SECURITISATION TAX REGIME**

The UK's securitisation tax regime provides for a permanent regime for the taxation of "securitisation companies" (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)). Companies to which the securitisation tax regime applies will be taxed broadly by reference to their "retained profit" rather than by reference to their accounting profit. The Issuer should, and should continue to, fall within the securitisation tax regime. As such, the Issuer should be taxed only on the amount of its retained profit for so long as it satisfies the conditions for remaining within the securitisation tax regime. However, if at any time the Issuer ceases to satisfy these conditions, then profits or losses could arise for tax purposes in the Issuer which could have tax effects not contemplated in the cashflows for the transaction described in this Prospectus and as such could adversely affect the tax treatment of the Issuer and consequently, adversely affect the ability of the Issuer to make payments on the Notes.

## ***CHANGES IN LAW AND/OR REGULATORY, ACCOUNTING AND/OR ADMINISTRATIVE PRACTICES MAY AFFECT PAYMENTS ON THE NOTES***

The structure of the issue of the Notes, the Issuer/Borrower Loans and the ratings which are to be assigned to the Notes are based on English and Luxembourg 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 the Issuer, the Borrower and the Obligors under United Kingdom and Luxembourg tax law and the published practice of HMRC and Luxembourg tax authorities in force or applied in the United Kingdom and Luxembourg as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or possible change to English or Luxembourg law, regulatory, accounting or administrative practice in the United Kingdom and Luxembourg respectively or to United Kingdom or Luxembourg tax law, or the interpretation or administration thereof, or to the published practice of HMRC as applied in the United Kingdom after the date of this Prospectus. Any changes to accounting practices may have an effect on the tax treatment of, *inter alios*, the Borrower, the other Obligors and the Issuer. No assurance can be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

## ***CHANGES IN THE OBLIGORS' TAX STATUS OR TO TAX LEGISLATION MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS COMMITMENTS***

Tax rules and their interpretation may change. Any change to the tax status of any Obligor or to taxation legislation or its interpretation may affect the Obligors' ability to realise income on investments and/or a return on any disposal of investments. Reduced income and capital returns on investments may adversely affect the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

## ***TAX RISKS RELATED TO THE FORMATION OF THE OBLIGOR GROUP***

The formation of the Obligor Group involved the acquisition of the Borrower and each of its subsidiary undertakings (following a pre-sale restructuring of those subsidiary undertakings) by Borrower Holdco from a third party vendor (the **Vendor**), followed by a post-acquisition restructuring of the Borrower and its subsidiary undertakings (such pre-sale restructuring, acquisition and post-acquisition restructuring together being the **Restructuring Transactions**). It is not anticipated that there should be any material outstanding tax liabilities within the Obligor Group resulting from the Restructuring Transactions, on the basis either that those transactions are outside the scope of UK and/or Luxembourg taxation or that certain exemptions or reliefs are available to eliminate, mitigate or defer such liabilities. However, it is possible that unexpected liabilities to tax could arise for which members of the Obligor Group could be liable.

In addition to potential historic tax risks (i.e. the risk of tax liabilities flowing from past transactions), the Restructuring Transactions give rise to certain latent tax risks which could crystallise into actual tax liabilities within the Obligor Group depending on future events.

Furthermore, the Issuer understands that an indirect parent company of Borrower Holdco is also the parent of a "sister" group of UK property holding companies (the **Sister Group**). If any of the companies which form part of the Sister Group incur and fail to discharge liabilities to UK tax, it is possible that HMRC could seek to recover those unpaid liabilities to UK tax from members of the Obligor Group (under certain "secondary liability" provisions contained in UK tax legislation).

However, as explained in the section of this Prospectus entitled "*Overview of certain other Obligor Transaction Documents – Tax Deed of Covenant*" the obligations of the Obligor Group are supported by a Tax Deed of Covenant between, among others, the Issuer, Issuer Holdco, the

Borrower, the Borrower Holdco, the Obligor Holdcos, the Propcos, the Management Companies, the Obligor Security Trustee, the Issuer Security Trustee and the Note Trustee entered into on or around the Closing Date. Pursuant to the terms of the Tax Deed of Covenant, each of the Obligors gives certain warranties and covenants in relation to its tax affairs (and, in certain cases, the tax affairs of affiliated entities, such as members of the Sister Group) in favour of the Obligor Security Trustee, the Issuer Security Trustee and the Note Trustee, and also agrees to conduct, or to procure that the other Obligors (and, in certain cases, affiliated entities such as members of the Sister Group) conduct, their businesses and affairs in certain ways; the primary objective being to support the anticipated tax position and treatment of the Obligor Group and to prevent any unintended tax liabilities from arising within it.

### ***UK TAXES ON NON-RESIDENTS AND CORPORATE BODIES WHICH OWN UK RESIDENTIAL PROPERTY***

Since 6 April 2015, UK capital gains tax has been chargeable (subject to various exclusions and reliefs) on capital gains arising on disposals by certain types of non-UK resident persons (including companies) of interests in residential property located in the UK (referred to below as the charge to **NRCGT**). In addition, UK law imposes an annual tax charge where, broadly, "dwellings" located in the UK with a value exceeding (currently) £500,000 are owned by corporate bodies (the "**Annual Tax on Enveloped Dwellings**" or (**ATED**)).

On the basis of current law, it is anticipated that none of the Obligors should be within the scope of NRCGT in relation to the Properties. In particular, it is anticipated that the Properties will qualify for an exemption from NRCGT which applies to "purpose-built student accommodation". It is also anticipated that none of the Obligors should be within the scope of the ATED in relation to the Properties. This is on the basis that none of the "dwellings" comprising the residential units within the Properties has a value in excess of £500,000 and, in any event, buildings that are used to provide residential accommodation for students are not treated as "dwellings" for the purposes of the ATED.

However, tax rules and their interpretation may change. Any adverse changes to, or to HMRC or the courts' interpretation of, the legislation relating to NRCGT and/or the ATED (in particular regarding the reliefs for student accommodation described above) may affect the Propcos' ability to realise income on investments and/or a return on any disposal of investments. Reduced income and/or capital returns on investments may have an adverse effect on the Propcos' ability to make payments due under the Intra-Group Loans, which may in turn impact the Borrower's ability to make payments due under the Issuer/Borrower Loans, which may in turn impact the ability of the Issuer to make payments due in respect of the Notes.

### ***FINANCE ACT 2016 RULES ON THE TAXATION OF NON-UK RESIDENT PROPERTY DEALERS AND DEVELOPERS***

The UK government has recently enacted (in the Finance Act 2016) legislation setting out new rules relating to the taxation of non-UK residents who develop or deal in UK land. The new legislation provides for a comprehensive regime to bring profits from these activities within the charge to UK tax on income (either corporation tax on income or income tax depending on the characteristics of the non-UK resident), including broad anti-avoidance rules and provisions that bring indirect profits (such as the sale of shares in companies holding UK development land) within the scope of UK tax. The new legislation is referred to below as the **New Rules**.

Hitherto, where a non-UK resident company held UK land on trading account (that is, as trading stock within its trade of dealing in, or developing land) then unless the non-UK resident company had a permanent establishment in the UK, UK domestic law and the terms of many of the UK's double tax treaties ensured that exclusive taxing rights in respect of any trading profits arising from

disposals of the UK land were reserved to the non-UK resident company's jurisdiction of residence. The New Rules expand the territorial scope of UK tax (as a matter of UK domestic law) and apply where a person realises a profit or gain from a disposal of UK land (or property deriving its value from UK land) and any one of the following conditions is met:

- (a) the main purpose, or one of the main purposes, of acquiring the land was to realise a profit or gain from disposing of it;
- (b) the main purpose, or one of the main purposes, of acquiring any property deriving its value from the land was to realise a profit or gain from disposing of the land;
- (c) the land is held as trading stock; or
- (d) the main purpose, or one of the main purposes, of developing the land was to realise a profit or gain from disposing of the land when developed.

Where these requirements are met, the profits arising to the non-UK resident are treated as profits of a trade of dealing in or developing UK land and are within the scope of UK corporation tax if the person is a company, whether or not it has a permanent establishment in the UK. The New Rules are subject to the terms of any applicable double tax treaty, but in the context of the Obligor Group it should be noted that the Income and Capital Tax Treaty between Luxembourg and the UK permits each contracting state to tax a gain arising from a disposal of land situated in its territory and which accrues to a resident of the other contracting state, irrespective of whether the relevant resident of the other contracting state has a permanent establishment in the contracting state where the land is situated.

It is thought that the New Rules are intended only to apply to property dealers and developers, and in particular that they should not apply to non-UK resident investors in UK real estate that intend to hold for medium-to long-term investment purposes (such as the Propcos). However, the drafting of the New Rules is unhelpful in this regard, in that most investors in real estate will have an interest in the capital appreciation of their investments, even if their primary purpose is to derive rental profits, so it might be said that a future sale at a profit is one of the main purposes of their investment.

It is thought that the UK government did not intend to affect the traditional distinction between trading and investment in UK tax law when devising and drafting the New Rules. In this regard it is noteworthy that HMRC says, in the foreword to its published guidance on the New Rules, that: *"These rules do not alter the treatment of or re-characterise investment activities, except where they are part of... a wider trading activity"*. However, it remains to be seen how HMRC and the courts will apply them in practice. If it suffices to fall within the ambit of the New Rules for a non-UK resident investor in UK real estate to have an interest in the capital appreciation of their investments, notwithstanding that their primary objective is to derive rental profits, then many non-UK resident property investors will automatically become subject to UK tax on disposals of their investments in UK property, and many double tax treaties will permit this.

If the Propcos are subject to the New Rules, their ability to realise a return on any disposal of the Properties may be adversely affected, which in turn may have an adverse effect on the Propcos' ability to make payments due under the Intra-Group Loans, which may in turn impact the Borrower's ability to make payments due under the Issuer/Borrower Loans, which may in turn impact the ability of the Issuer to make payments due in respect of the Notes.

## **D. CONSIDERATIONS RELATING TO REGULATORY AND LEGAL ISSUES**

### ***THE OBLIGOR SECURITY TRUSTEE HAS ABSOLUTE DISCRETION TO REFRAIN FROM TAKING ACTION UNDER THE OBLIGOR TRANSACTION DOCUMENTS***

Should the Obligor Security Trustee take enforcement proceedings under the Obligor Security Documents and if there is a physical entry into possession of a property owned by an Obligor or an act of control or influence that may amount to possession, such as receiving rental income directly from a relevant tenant, the Obligor Security Trustee may be deemed to be a mortgagee or heritable creditor in possession. A mortgagee or heritable creditor 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 Obligor Security Trustee has the absolute discretion at any time to refrain from taking any action under the Obligor Transaction Documents, unless it is satisfied at the time that it is adequately indemnified and/or secured and/or prefunded by the Obligor Secured Creditors (including the Noteholders on behalf of the Issuer).

### ***THE VALIDITY OF SUBORDINATION PROVISIONS UNDER ENGLISH LAW IS UNCERTAIN***

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedge counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which will be included in the Obligor Transaction Documents relating to the subordination of certain amounts owed by the Borrower or another Obligor to a Hedge Counterparty should it enter into any Hedging Agreements.

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time.

If a creditor of the Issuer or the Borrower or any of the Propcos (such as a Hedge Counterparty in respect of the Borrower, although the Borrower has not entered into, and the Borrower does not intend to enter into, any Hedging Agreements on or prior to the Closing Date) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer or an Obligor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Obligor Transaction Documents or Issuer Transaction Documents. For example, there are provisions in certain payment priorities which refer to the ranking of the Hedge Counterparties' payment rights in respect of any amounts due to be paid by the Borrower to a Hedge Counterparty upon termination of a Hedging Agreement (other than any amount attributable to the return of collateral to the Hedge Counterparty) due to either (i) the occurrence of an event of default pursuant to such Hedging Agreement in respect of which event the relevant Hedge Counterparty is the "Defaulting Party" (as defined therein) or (ii) the failure of the relevant Hedge Counterparty to take the required remedial actions set out in the relevant Hedging Agreement after such Hedge Counterparty has been downgraded below the

minimum ratings set out in the Hedging Agreement (the **Subordinated Hedge Amounts**). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as a Hedge Counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state).

In general, if a subordination provision included in the Issuer Transaction Documents and/or Obligor Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Issuer Transaction Documents and/or Obligor Transaction Documents will include terms providing for the subordination of Subordinated Hedge Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may reduce.

***OBLIGOR EVENTS OF DEFAULT, POTENTIAL OBLIGOR EVENTS OF DEFAULT AND TRIGGER EVENTS MAY OCCUR WITHOUT THE KNOWLEDGE OF THE OBLIGOR SECURITY TRUSTEE IF THE BORROWER OR ANOTHER OBLIGOR FAILS TO NOTIFY THE OBLIGOR SECURITY TRUSTEE OF SUCH EVENT***

The Obligor Security Trustee will be entitled to assume, unless it is otherwise disclosed in any Half Yearly Investor Report or Compliance Certificate or the Obligor Security Trustee is expressly informed otherwise, that no Obligor Event of Default, Potential Obligor Event of Default or Trigger Event has occurred and is continuing. The Obligor Security Trustee will not itself monitor whether any such event has occurred. As the Issuer is a special purpose company, it will fall to the Obligors themselves to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective. The Obligor Security Trustee shall not be obliged to make any such determinations and shall be able to conclusively rely on any Half Yearly Investor Report or Compliance Certificate provided to it without being obliged to enquire as to the accuracy or validity of any such Half Yearly Investor Report or Compliance Certificate. The Obligors are, however, obliged to notify the Obligor Security Trustee if they become aware of the occurrence of any Obligor Event of Default.

***A CHANGE OF LAW MAY ADVERSELY AFFECT NOTEHOLDERS***

The transactions described in this Prospectus (including the issue of the Notes) and the ratings which are to be assigned to the Notes are based on the relevant law and administrative practice in effect as at the date hereof, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this document or can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

## ***REGULATORY INITIATIVES MAY HAVE AN ADVERSE IMPACT ON THE REGULATORY TREATMENT OF THE NOTES***

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arrangers, the Bookrunners or any of the parties to the transaction of which the Notes form part makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date or at any time in

In particular, investors should note that the Basel Committee on Banking Supervision (**BCBS**) has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as **Basel III**), including certain revisions to the securitisation framework. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**)). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities (e.g. as LCR eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Regulation (EU) No. 2015/35 (also known as "Solvency II") framework in Europe.

In addition, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings, UCITS funds and institutions for occupational retirement provision. Among other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

The Issuer has considered the applicability of EU risk retention and due diligence requirements to the transaction described in this Prospectus and is of the opinion that the Notes do not constitute an exposure to a "securitisation" for the purposes of such EU risk retention and due diligence requirements and, accordingly, such EU risk retention and due diligence requirements should not

apply to investments in the Notes. Therefore no entity has committed to retain a material net economic interest in relation to this transaction.

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation. Among other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the legislative proposals and the current requirements including with respect to application approach under the retention requirements and the originator entities eligible to retain the required interest. Moreover, further changes may be, and have been, proposed through the political negotiation process. It is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In addition, the compliance position under any adopted revised requirements of transactions entered into prior to adoption, and of activities undertaken by a party (including an investor) in respect of such transactions, is uncertain.

Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. The matters described above and any other 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.

### ***EUROPEAN MARKET INFRASTRUCTURE REGULATION***

European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**), entered into force on 16 August 2012.

EMIR and the regulations made under it impose certain obligations on parties to "over the counter" (**OTC**) derivative contracts according to whether they are (i) financial counterparties, such as European investment firms, certain alternative investment funds, credit institutions and insurance companies (**FCs**), (ii) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its "group" (as defined in EMIR), in OTC derivatives (excluding hedging positions) exceed any of the specified clearing thresholds (**NFC+s**, and together with FCs, the **In-scope Counterparties**); (iii) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its "group", in OTC derivatives (excluding hedging positions) do not exceed any of the specified clearing thresholds (**NFC-s**); or (iv) third country entities equivalent to In-scope Counterparties or NFC-s.

Under EMIR, In-scope Counterparties are subject to a general obligation (the **clearing obligation**) to clear certain classes of OTC derivative contracts through a duly authorised or recognised central counterparty when they trade with each other or equivalent third country entities, unless an exemption applies. Subject to certain conditions, intragroup transactions are not subject to the clearing obligation. In-scope Counterparties must also report the details of all derivative contracts to a trade repository (the **reporting obligation**) and in general undertake certain risk-mitigation techniques in respect of OTC derivative contracts which are not cleared by a central counterparty, including to comply with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and the exchange of margin (the **margin obligation** and, together with the other risk mitigation requirements, the **risk mitigation techniques**).



NFC-s are also subject to the reporting obligation and certain of the risk mitigation techniques. However, they are not subject to the clearing obligation or the margin obligation. If a relevant Obligor exceeds the clearing threshold and thus becomes an NFC+, that Obligor would be subject to the clearing obligation, depending on the identity of the hedge counterparty, in respect of any eligible OTC derivative contracts required to be cleared or, if the relevant OTC derivative contract is not a type required to be cleared, it may be subject to enhanced risk mitigation obligations, including the margin obligation.

The reporting obligation and the risk mitigation techniques other than the margin obligation are currently in force. The clearing obligation for certain classes of interest rate swaps is being phased-in with the first clearing deadline having occurred on 21 June 2016. Additional classes of OTC derivative contracts will also become subject to the clearing obligation. For example, the first clearing deadline for certain index credit default swap products is 9 February 2017. With regards to the margin obligation In-scope Counterparties will need to start posting variation margin in respect of relevant OTC derivatives transactions from 1 March 2017. However, In-scope Counterparties will only need to exchange initial margin in respect of relevant uncleared OTC derivatives transactions from the relevant phase-in date (as set out in EMIR) if it and its counterparty both have, or belong to, groups each of which has an aggregate month-end average notional amount of uncleared derivatives that is above €8 billion.

If the Borrower enters into any hedging transactions, compliance with the risk mitigation techniques and reporting obligations under EMIR and, as applicable, the clearing and margin obligations in relation to any OTC derivative contracts could give rise to additional costs and expenses for the relevant Obligor. This may impact the Obligors' ability to make payments to the Issuer in respect of the Issuer/Borrower Loans which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### ***THE OBLIGORS MAY FACE RESTRICTIONS OR LIABILITIES UNDER APPLICABLE LAWS AND REGULATIONS***

The Obligors are required to comply with a variety of laws and regulations in the United Kingdom and from EU authorities, including planning, zoning, environmental, fire, health and safety, tax, landlord and tenant and other laws and regulations. If the Obligors fail to comply with these laws and regulations, the Obligors may have to pay penalties or private damages awards.

Changes in existing laws or regulations, or in their interpretation or enforcement, could require the Obligors to incur additional costs in complying with those laws, or require changes to investment strategy, operations or accounting and reporting systems, leading to additional costs and tax liabilities or loss of revenue, which could materially adversely affect the Obligors' business, financial condition and/or results of operations.

The payment by the Obligors of any costs incurred as a result of changes in existing laws or regulations, or payment of any significant fines in relation to the failure by the Obligors to comply with such laws or regulations, may reduce the amounts available to the Obligors to make payments to the Issuer in respect of the Issuer/Borrower Loans, which may in turn impact the Issuer's ability to make payments in respect of the Notes.

#### **E. CONSIDERATIONS RELATING TO THE ISSUER/BORROWER LOANS AND THE OBLIGOR SECURITY**

##### ***SPECIAL PURPOSE ENTITY COVENANTS***

Each of the Obligors was established as a special or limited purpose entity (**SPE**). The Issuer/Borrower Loan Agreement contains covenants that are generally designed to limit the

activities and purposes of the Obligors to owning the Properties, making payments on the Issuer/Borrower Loans and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan and related properties result in the Obligors' bankruptcy. However, it should be noted that some of the Obligors (the Management Companies) have employees and are operating companies.

There can be no assurance that the Obligors will comply with the SPE covenants and, even if all or most of such restrictions have been complied with by the Obligors, there can be no assurance that all of the Obligors will remain solvent. However, failure by the Obligors to comply with such covenants would (after the expiry of any applicable grace period) lead to an Obligor Event of Default.

An insolvency of an Obligor (or any breach of any SPE covenant, after the expiry of any applicable grace period) would result in an Obligor Event of Default giving rise to a right to accelerate the Issuer/Borrower Loans and enforce the Obligor Security. This could result in significant delays in the receipt by the Issuer of payments under the Issuer/Borrower Loans which could adversely affect its ability to make all payments due on the Notes.

See the section entitled "*Description of certain parties*" for more detail on the Obligors.

#### ***THE BORROWER'S ABILITY TO MEET ITS OBLIGATIONS IN RESPECT OF THE ISSUER/BORROWER LOANS***

The Borrower's ability to meet its obligations under the Issuer/Borrower Loans will ultimately be dependent on the performance of the Property Portfolio and, in particular, the collection of rents from students and the ability to find tenants for vacant rooms within a Property (see the risk factors entitled "*Dependence on re-letting*" and "*Rental income in respect of the Property Portfolio is dependent on the stability of tenants and other counterparties*"). The obligations of the Borrower are not insured or guaranteed by the other parties involved in the issuance of the Notes (other than the Obligors) or by any other person or entity.

If the Borrower is unable to meet its obligations in respect of the Issuer/Borrower Loans and any other amounts owed by it under the Issuer/Borrower Loan Agreement, then the sole recourse of the Issuer would be to instruct the Obligor Security Trustee to enforce the Obligor Security granted by the Borrower and the other Obligors.

#### ***RECOVERIES UPON THE ENFORCEMENT OF THE OBLIGOR SECURITY MAY NOT BE SUFFICIENT TO SATISFY THE BORROWER'S OBLIGATIONS UNDER THE ISSUER/BORROWER LOANS IN FULL***

In the event of a default by the Borrower or other Obligor under the Issuer/Borrower Loan Agreement, recourse will be to the assets of the Borrower and the other Obligors only, being the Properties, rents, contractual rights, receivables, shares or other capital interests and certain sums standing to the credit of bank accounts of the Borrower and the other Obligors charged as security to the Obligor Security Trustee.

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

The rent at which any Property could be re-let or the liquidation value of the Properties may be adversely affected by risks generally incidental to interests in student accommodation including, in

particular, increased competition between universities and non-universities, demographic changes, changes in university funding, increases in the tuition fee caps and changes to the current UK government policy on higher education (see further the section of this Prospectus entitled "*Risks related to the Properties and the business of the Obligors*" above) in addition to changes in political and economic conditions or in specific industry segments, declines in property rental or capital values, variations in supply of and demand for retail space, prevailing gilt yields and interest rates, credit spreads, changes in governmental rules, regulations and fiscal policies, terrorism, acts of God and other factors which are beyond the control of the Obligors and any other party to the transaction of which the Notes form part.

There can be no assurance that the Obligor Security Trustee would recover, upon enforcement of the Obligor Security, amounts sufficient to discharge all sums then outstanding under the Issuer/Borrower Loan Agreement and amounts ranking senior and *pari passu* thereto. Accordingly, sufficient funds may not be realised or available to make all required payments to the Issuer and in turn to the Noteholders, in which case Noteholders may ultimately suffer a loss.

### **TERMINATION PAYMENTS UNDER HEDGING AGREEMENTS**

Subject to certain conditions being met, the Borrower may enter into Hedging Agreements from time to time. Each Hedging Agreement will provide that, upon the occurrence of certain events, the Interest Rate Hedging Transactions documented under that Hedging Agreement may terminate and a termination payment by either the Borrower who has entered into the relevant Hedging Agreement or the relevant Hedge Counterparty may be payable, the amount of such payment will depend on, among other things, the terms of such Hedging Agreement and the cost of entering into a replacement transaction at the time. Any termination payment due by the Borrower pursuant to a Hedging Agreement (other than (where applicable) Subordinated Hedge Amounts) to the extent such termination payment is not satisfied by any applicable Hedge Replacement Premium which shall be paid directly by the Borrower to the relevant Hedge Counterparty, will rank *pari passu* with payments in respect of the Issuer/Borrower Loans. If any termination amount is payable, payment of such termination amounts may affect amounts available to the Borrower to pay interest and principal on the Issuer/Borrower Loans which may affect the Issuer's ability to make payments of interest and principal on the Notes.

Any additional amounts required to be paid by the Borrower following termination of a transaction under the relevant Hedging Agreement (an **Interest Rate Hedging Transaction**) (including any extra costs incurred in entering into a replacement hedging transaction) will also rank *pari passu* with payments in respect of the Issuer/Borrower Loans which may affect the Issuer's ability to make payments of interest and principal on the Notes.

### **CONSIDERATIONS RELATING TO THE MEZZANINE LOAN NOTES AND THE INTERCREDITOR AGREEMENT**

The indirect equity owners of the Obligors have pledged their respective indirect ownership interests in the Obligors, consisting of the shares of companies higher up in the group structure than the Obligors, in order to secure the Mezzanine Loan Notes.

Mezzanine debt is debt that is incurred by the owner of direct or indirect equity in one or more borrowers and is secured by a pledge of the equity ownership interests in such borrowers. Because mezzanine debt is secured by an entity's direct or indirect equity interest in the Obligors, such financing effectively reduces the value to the Obligor of its economic stake in the related mortgaged property. The existence of the Mezzanine Loan Notes may therefore reduce the excess cashflow from the Properties after the payment of debt service under the Mezzanine Loan Notes and may increase the likelihood that the Obligors will have less cash to reinvest in the Properties and that the owner of an Obligor will permit the value or income-producing potential of

such Property to fall and may create a greater risk that the Borrower will default on the Issuer/Borrower Loans. In addition, from time to time, subject to certain conditions being satisfied, including a Rating Agency Confirmation being provided with respect to the Notes, further, replacement or new Mezzanine Loan Notes may be issued, either separately or in conjunction with the issuance of Further Notes, Replacement Notes or New Notes, as the case may be.

Certain amendments, waivers or consents in respect of the Finance Documents require, in addition to the consent of Finance Parties in accordance with the terms of the Finance Document (which discretion will be exercised generally by the Servicer or, as applicable, the Special Servicer (in either case on behalf of the Issuer as lender)), the consent of the Mezzanine Issuer and/or the Mezzanine Cure Loan Noteholders (as applicable) acting through the Mezzanine Agent (or their servicer or special servicer, as applicable) to be made or given (see the section entitled "*Intercreditor Agreement – Amendments and waivers*" for further details).

Accordingly, notwithstanding that the Servicer or, as applicable, the Special Servicer (including, where applicable, upon the instruction of the Noteholders) may wish to agree to an amendment, waiver or consent in respect of the Finance Documents (on behalf of the Issuer as lender under the Issuer/Borrower Loan Agreement), certain amendments, waivers or consents may not be made or given unless the Mezzanine Issuer and/or the Mezzanine Cure Loan Noteholders (as applicable) under the Intercreditor Agreement have approved the same (subject to the "you snooze, you lose" provisions of the Intercreditor Agreement and the Mezzanine Loan Note Agreement; see the section entitled "*Intercreditor Agreement – Deemed Consent – Finance Documents*" for further details).

#### ***THE PERFORMANCE OF THE ISSUER/BORROWER LOANS AND THE PROPERTIES DEPENDS IN PART ON WHO CONTROLS THE OBLIGORS AND THE PROPERTIES***

The operation and performance of the Issuer/Borrower Loans will depend in part on the identity of the persons or entities that control the Obligors and the Properties. The performance of the Issuer/Borrower Loans may be adversely affected if control of the Obligors changes, which may occur, for example, by means of transfers of direct or indirect ownership interests in the Obligors.

Under the terms of the Intercreditor Agreement, upon a Mezzanine Event of Default, the Mezzanine Security Trustee is entitled to enforce the security for the Mezzanine Loan Notes, which includes a first fixed charge over the shares of indirect owners of the Obligors. In addition, there is no restriction in the Issuer/Borrower Loan Agreement on the Sponsor transferring its indirect ownership interests in the Obligors (although a change of control prepayment obligation is included in the Mezzanine Loan Note Agreement).

It is possible that the effect of this process (and of any other process resulting in the change of control of the Obligors) is to negatively affect the operation of one or more Properties and the respective Obligors' ability to make payments on the Issuer/Borrower Loans in a timely manner or lead to other disruptive actions by the Borrower, the Obligors, the Sponsor, the Mezzanine Noteholders or their respective affiliates. Further, it is possible that any ultimate owner of the Obligors could adversely impact the operation of the Properties.

#### **F. CONSIDERATIONS RELATED TO THE OBLIGORS AND/OR THE ISSUER**

##### ***RISKS RELATING TO THE INSOLVENCY OF THE OBLIGORS***

Although the Obligors have been established as limited purpose entities (refer to the risk factor entitled "*Special purpose entity covenants*") they may, nonetheless, become insolvent and subject to insolvency proceedings under English or Luxembourg law, as applicable. The Obligors – which have been established under the laws of England and Luxembourg – are subject to the provisions

of English and Luxembourg insolvency law (as applicable) provided that their centre of main interests is in England and Luxembourg, respectively. The Issuer/Borrower Loan Agreement provides that each Obligor must maintain its centre of main interests (and in the case of the Obligors incorporated in Luxembourg, its central administration) in its jurisdiction of incorporation.

The Obligor Security Trustee will have certain rights under the Issuer/Borrower Loan Agreement if any of the Obligors becomes insolvent and subject to insolvency proceedings (this would result in an Obligor Event of Default), including certain rights to accelerate the Issuer/Borrower Loans and enforce the Obligor Security. This could result in significant delays in the receipt by the Issuer of payments under the Issuer/Borrower Loans which could adversely affect its ability to make all payments due on the Notes. In the event of an enforcement of the Obligor Security after the institution of insolvency proceedings with respect to any Obligor, additional factors need to be considered.

The legal system and market practice concerning security and insolvency proceedings may have substantially different features in each jurisdiction. The rights of creditors of an insolvent English or Luxembourg company are limited by law in different ways (please refer to the section entitled "*Certain matters of Luxembourg law*" for further information in relation to Luxembourg companies).

The security structure with respect to the Obligor Security has been established in order to yield sufficient access to all potential proceeds in an insolvency of the Obligors and, to the best possible extent, satisfy in full all the obligations under the Issuer/Borrower Loans (although the amount of any such proceeds will be calculated by, among other things, market values and economic conditions at the time of enforcement). However, there can be no assurance that an insolvency administrator will not successfully contest any part of the Obligor Security. In the event that the Issuer/Borrower Loans are not repaid in full following the enforcement of the Issuer/Borrower Loans and the related Obligor Security, the Issuer may not have sufficient resources to satisfy in full its obligations under the Notes.

### ***RELIANCE ON THIRD PARTIES***

The Issuer is a party to contracts with a number of third parties who have agreed to perform certain services in relation to, *inter alia*, the Notes. For example, the Issuer LF Providers have agreed to provide the Issuer Liquidity Facility to the Issuer, the Corporate Services Provider has agreed to provide various corporate services to the Issuer and the Issuer Cash Manager and the Paying Agents have agreed to provide, *inter alia*, payment, administration and calculation services (as applicable) to the Issuer in connection with, *inter alia*, the Notes. In the event that any of these service providers fails to perform its obligations under the respective agreements to which it is a party, the ability of the Issuer to make payments owed in respect of the Notes may be affected.

The Issuer will not enter into any hedging arrangements with any hedge counterparties.

The Obligors are also party to contracts with a number of third parties who have agreed to perform certain services in relation to, *inter alia*, the Properties. In particular, the Facility Managers provide certain facility management services to the Obligors. See "*Property Portfolio*" – "*Asset management*" below for further details.

### ***UNSECURED CREDITORS OF THE OBLIGOR GROUP***

It should be noted that unsecured creditors of the Obligors, such as trade creditors, employees and suppliers and HMRC and other tax authorities are not bound by the non-petition provision of the Obligor Deed of Charge and so will be able to petition for a winding-up or administration of the Obligors where they fail to pay any amounts owed to them as they fall due. The Obligors have covenanted in the Issuer/Borrower Loan Agreement to conduct its business in a reasonable and

prudent manner in accordance with all applicable laws and in accordance with Good Industry Practice.

## **ADMINISTRATION**

In certain circumstances an administrator may be appointed in relation to a company incorporated in England and Wales the effect of which would be that, during the period for which the order is in force, the affairs, business and property of the company will be managed by the administrator. The appointment may be made:

- (a) by the court, on the application of the company, its directors, any or all of its creditors, or the justices' chief executive for a magistrates court, provided that the court is satisfied that the company is or is likely to become unable to pay its debts and that the administration order is reasonably likely to achieve the statutory purpose of administrations;
- (b) by the holder of a "qualifying floating charge" (as defined in the Insolvency Act) over the whole or substantially the whole of the company's property who gives notice of intention to appoint an administrator to any holder of a prior qualifying floating charge and files with the court the appointment in prescribed form (including a statutory declaration that the charge was enforceable on the date of the appointment and a statement by the proposed administrator that it believes the statutory purpose of administration is reasonably likely to be achieved) and such other documents as may be provided; or
- (c) the company or its directors if it or they give notice of intention to appoint an administrator to any person who may be entitled to appoint an administrative receiver or an administrator of the company, such person declines to appoint an administrative receiver or administrator (as the case may be) and the appointment is filed with the court in prescribed form (including a statutory declaration that the company is or is likely to become unable to pay its debts and a statement by the proposed administrator that he believes the statutory purpose of administration is reasonably likely to be achieved) along with such other documents as may be provided.

An interim "moratorium" on enforcement action against the company, as the case may be, will come into effect on the filing with the court of the application for making of an administration order by the court or the notice of intention to appoint an administrator out of court, or on the presentation of a petition for an administration order, as the case may be. During the period for which such moratorium is in force, (among other things) no steps may be taken to enforce any security over the property of the company or except with the leave of the court (and subject to such terms as the court may impose). The moratorium remains in force where an administration application has been made and has not yet been granted or dismissed, or has been granted but the order has not yet taken effect, or where a floating charge holder has filed notice of intention to appoint an administrator with the court, until the appointment takes effect or until five business days expire with no administrator having been appointed, or where the directors of or the company itself have or has filed with the court notice of intention to appoint an administrator, until the appointment takes effect or until ten business days expire with no administrator having been appointed.

During the period for which a company is in administration, (among other things) no steps may be taken to enforce any security over the property of the company except with the leave of the court (and subject to such terms as the court may impose) or the consent of the administrator.

Accordingly if an application is made or petition is presented for the making of an administration order by the court, or notice is filed with the court of the intention to appoint an administrator, or an administration order is made or an administrator is appointed in respect of any of the Obligors, the

enforcement of the Obligor Security by the Obligor Security Trustee would not be possible unless the leave of the court or the consent of the administrator was obtained, and would in any case be delayed by the need to apply to the court for leave or to the administrator for consent.

### ***ADMINISTRATIVE RECEIVERSHIP***

In respect of a company incorporated in England and Wales, the Insolvency Act 1986 (the **Insolvency Act**), as amended, 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 gives primacy to collective insolvency procedures (in particular, administration). The Insolvency Act contains provisions that allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the appointment of an administrative receiver is not prohibited if it is made pursuant to an agreement (being, in respect of the transactions described in this Prospectus, the Obligor Deed of Charge and the Issuer Deed of Charge) which is or forms part of a "capital markets arrangement" (as defined in the Insolvency Act) under which a party (such as the Issuer) incurs or, when such agreement was entered into was expected to incur, a debt of at least £50,000,000 under the arrangement and the arrangement involves the issue of a "capital market investment" (also defined but generally a rated, listed or traded debt instrument). It is expected that the security that the Issuer has granted to the Issuer Security Trustee pursuant to the Issuer Deed of Charge and the security that each of the Obligors have granted to the Obligor Security Trustee pursuant to the Obligor Deed of Charge falls or will fall within the capital markets exception.

The expenses of a liquidation will also be payable in priority to the claims of a floating charge holder (subject to any secondary legislation which may require the floating charge holder to approve the amount of such expenses).

### ***ENGLISH LAW SECURITY AND INSOLVENCY CONSIDERATIONS***

The Issuer will enter into the Issuer Deed of Charge pursuant to which it will grant the Issuer Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see the section entitled "*Overview of certain Issuer Transaction Documents – Issuer Deed of Charge*").

Similarly, the Borrower and the other Obligors will enter into the Obligor Deed of Charge, pursuant to which the Obligors will grant security in respect of certain of their obligations, including their obligations under the Issuer/Borrower Loan Agreement (as to which, see the section entitled "*Overview of certain other Obligor Transaction Documents – Obligor Security Documents*").

For the avoidance of doubt, the Obligors will also enter into the Luxembourg security documents, Northern Irish law security documents (if Northern Irish assets are included in the Property Portfolio following the Closing Date) and Scottish security documents (if Scottish assets are included in the Property Portfolio following the Closing Date). In certain circumstances, including the occurrence of certain Insolvency Events in respect of the Issuer or the Obligors, the ability to realise the Issuer Security and/or the relevant Obligor Security, respectively, may be delayed and/or the value of the relevant security impaired. While the transaction structure will be designed to minimise the likelihood of the Issuer or the Obligors becoming insolvent, there can be no assurance that the Issuer and/or the Obligors will not become insolvent and/or the subject of Insolvency Proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English and Luxembourg insolvency laws).

In addition, it should be noted that, to the extent that the assets of the Issuer or an Obligor incorporated in England and Wales are subject only to a floating charge (including any fixed

charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act, certain floating charge realisations which would otherwise be available to satisfy the claims of Issuer Secured Creditors under the Issuer Deed of Charge or the Obligor Secured Creditors under the Obligor Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer and the Obligors in the Issuer Transaction Documents and/or the Obligor Transaction Documents respectively are intended to ensure it has no significant creditors other than the Issuer Secured Creditors under the Issuer Deed of Charge and the Obligor Secured Creditors under the Obligor Deed of Charge, it will be a matter of fact as to whether the Issuer or the relevant Obligor has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Security and/or the Obligor Security.

### ***SECURITY OVER BANK ACCOUNTS***

Each Obligor has, in accordance with the terms of the Issuer/Borrower Loan Agreement, established a number of bank accounts into which, among other things, rental income and disposal proceeds in respect of the relevant Properties must be paid (as to which, see "*Issuer/Borrower Loan Agreement – Accounts*"). Each Obligor will, pursuant to the terms of the Obligor Deed of Charge, grant security over all of its interests in its relevant accounts, which security will be, other than in the case of certain operating accounts, expressed to be a first fixed charge.

Although the various Obligor bank accounts are stated to be subject to various degrees of control (for example, the Obligor Security Documents provide that the Obligor Security Trustee has sole signing rights over each Rent Account but that each Management Company has sole signing rights over its Operating Income Account), there is a risk that, if the Obligor Security Trustee does not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities where a receiver, liquidator or administrator is to be appointed in respect of the relevant company in whose name the account is held.

Furthermore, under the Issuer Deed of Charge, the Issuer will grant security over all of its bank accounts, which security will also be expressed to be fixed security.

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

### ***FIXED SECURITY INTERESTS MAY BE RECHARACTERISED AS FLOATING SECURITY INTERESTS***

There is a possibility that a court could find that certain English law fixed security interests expressed to be created by the Obligor Security Documents and/or the Issuer Deed of Charge



instead take effect as floating charges (in particular, see the risk factor "*Security over bank accounts*" above). Whether the fixed security interests will be upheld will depend, among other things, on whether the Obligor Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice.

If the English fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor or the Issuer (as the case may be) and (ii) certain statutorily defined preferential claims against the Obligors (including certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation) may have priority over the rights of the Obligor Security Trustee or the Issuer Security Trustee (as applicable) to the proceeds of enforcement of such security in accordance with s176A of the Insolvency Act. To the extent that the assets of any Obligor or the Issuer (as the case may be) are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act, certain floating charge realisations which would otherwise be available to satisfy the claims of Obligor Secured Creditors under the Obligor Security Documents or the Issuer Secured Creditors under the Issuer Deed of Charge may be first used to satisfy any claims of unsecured creditors of the relevant Obligor or the Issuer respectively.

#### ***GUARANTEES AND SECURITY MAY CONSTITUTE A TRANSACTION AT AN UNDERVALUE OR PREFERENCE***

A liquidator or administrator of an Obligor could apply to the court to unwind the issuance of its guarantee or grant of security if such liquidator or administrator believed that issuance of such constituted a transaction at an undervalue.

Each of the Obligors believes that each guarantee 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 Obligor and its subsidiaries (in the case of the Borrower Holdco and the Obligor Holdcos) and that there are reasonable grounds for believing that the transactions will benefit each such Obligor. However, there can be no assurance that the provision of the Obligor Guarantees will not be challenged by a liquidator or administrator or that a court would support the Obligors' analysis.

If the liquidator or administrator can show that any member of the Obligor Group has given a "preference" to any person (which could include the giving of a guarantee or the granting of security over its assets) 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 Obligor 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 (including the giving of the Obligor Guarantees or the granting of the Obligor Security) entered or to be entered into (as applicable), or payments (including pursuant to the Obligor Guarantees) made or to be made (as applicable), by any of the Obligors during the relevant period prior to the liquidation or administration of such Obligor.

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 Obligors do not believe that they have entered into any transactions which may be regarded as being for less than fair value or to shield assets from their creditors.

### ***LIQUIDATION EXPENSES***

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 *Leyland Daf* in 2004. Accordingly, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

As a result of the changes described above, upon the enforcement of the floating charge security granted by the Issuer and/or the Obligors, floating charge realisations which would otherwise be available to satisfy the claims of Issuer Secured Creditors under the Issuer Deed of Charge and/or Obligor Secured Creditors under the Obligor Security Documents will be reduced by at least a significant proportion of any liquidation expenses. There can be no assurance that the Noteholders will not be adversely affected by such a reduction in floating charge realisations.

### ***THE APPLICATION OF THE SMALL COMPANIES MORATORIUM MAY LIMIT THE ABILITY OF THE OBLIGOR SECURITY TRUSTEE TO ENFORCE THE OBLIGOR SECURITY OR THE ISSUER SECURITY TRUSTEE TO ENFORCE THE ISSUER SECURITY***

Certain small companies, as part of the company voluntary arrangement procedure, may seek court protection from their creditors by way of a "moratorium" for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Business, Innovation and Skills may, by order, extend or reduce the duration of either period).

A company is eligible for a moratorium if, at the date of filing for a moratorium, it meets two or more of the following criteria for being a "small company" under Section 382(3) of the Companies Act 2006 (the **Companies Act**):

- (a) its turnover is not more than £6,500,000;
- (b) its balance sheet total is not more than £3,260,000; and
- (c) the number of employees is not more than 50.

The position as to whether or not a company is eligible for a moratorium may change from period to period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Business, Innovation and Skills 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, the Issuer, Borrower or any other Obligor may, at any given time (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

During the period for which a moratorium is in force in relation to a company, among other things, no winding-up may be commenced or administrator appointed to that company, no administrative receiver of that company may be appointed, no security created by that company over its property

may be enforced (except with the leave of the court) and no other proceedings or legal process may be commenced or continued in relation to that company (except with the leave of the court).

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium. As at the Closing Date, companies excluded from eligibility for a moratorium included those which, at the time of filing for the moratorium, were party to a "capital market arrangement", under which a party had incurred, or when the agreement was entered into expected to incur, a debt of at least £10,000,000 and which involved the issue of a capital market investment. However, the Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible and/or provide that the exclusion shall cease to have effect.

Accordingly, the provisions described above may limit the Issuer Security Trustee's ability to enforce the Issuer Security or the Obligor Security Trustee's ability to enforce the Obligor Security, to the extent that any of the Issuer or the relevant Obligor, as the case may be, (1) falls within the criteria for eligibility for a moratorium at the time a moratorium is sought, (2) seeks a moratorium in advance of a company voluntary arrangement (as applicable) and (3) 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.

***THE FINANCIAL INFORMATION OF THE OBLIGOR GROUP INCLUDED IN THIS PROSPECTUS MAY NOT BE INDICATIVE OF THE OBLIGOR GROUP'S RESULTS OF OPERATIONS (AS A REORGANISATION HAS TAKEN PLACE SINCE THE TIME SUCH REPORTS WERE PREPARED) OR OF ITS FUTURE RESULTS OF OPERATIONS***

At the date on which the Obligors' most recent financial statements were prepared (December 2015), among other matters:

- (a) certain entities were included in the Borrower's consolidated financial statements which are no longer part of the Obligor Group (such entities owned certain properties which are not part of the Property Portfolio);
- (b) the Borrower had not merged with its then direct shareholder (PBSA II Bidco S.à r.l.); and
- (c) the Borrower had not incurred indebtedness under the Bridge Facility Agreement.

Accordingly, the annual consolidated accounts of the Borrower and the annual accounts of each Propco incorporated by reference in this Prospectus should be read with this in mind. This is the reason the information set out in the section entitled "*Unaudited Pro Forma Financial Information*" (the **Unaudited Pro Forma Financial Information**) was prepared. The Unaudited *Pro Forma* Financial Information is provided for illustrative purposes only and by its nature addresses a hypothetical situation and, therefore, does not represent the Obligor Group's actual position or results had (a) the Obligors owned all of the Properties, (b) the relevant entities which no longer form part of the Obligor Group not been part of the Obligor Group, (c) the Borrower merged with its then shareholder and (d) the Borrower had incurred indebtedness under the Bridge Facility Agreement, at the time such reports were prepared during the periods presented in the Unaudited *Pro Forma* Financial Information. In addition, the Unaudited *Pro Forma* Financial Information should not be construed to be indicative of the future operating results or financial position of the Obligors.

## **G. GENERAL CONSIDERATIONS**

### ***EU REFERENDUM RESULT***

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the EU. The UK vote was to leave the EU. There are a number of uncertainties in connection with the future of the UK and its relationship with the EU. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the EU and/or any related matters may have on the business of the Issuer or one or more of the other parties to the Issuer Transaction Documents and/or Obligor Transaction Documents. As such, no assurance can be given that such matters would not adversely affect the ability of the Obligors to satisfy their obligations under the Issuer/Borrower Loans, and in turn, the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

As at 31 October 2016, 6 per cent. of the tenants (excluding tenants of the Leicester Properties) are students from EU countries outside the UK. There can be no assurance that the UK's departure from the EU will not negatively impact numbers of students able to study in UK universities.

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

## INFORMATION INCORPORATED BY REFERENCE

The following audited annual accounts shall be deemed to be incorporated in, and to form part of, this Prospectus and will be available (free of charge) on the Irish Stock Exchange web site:

1. the audited consolidated annual accounts of the Borrower for the years ended:

(i) 31 December 2014, at:

[http://www.ise.ie/debt\\_documents/Borrower%20financials%20-%2031%20Dec%202014\(23420491\\_1\)\\_3031d11f-ee6d-4f94-b0b0-7fa3a5909731.PDF](http://www.ise.ie/debt_documents/Borrower%20financials%20-%2031%20Dec%202014(23420491_1)_3031d11f-ee6d-4f94-b0b0-7fa3a5909731.PDF); and

(ii) 31 December 2015, at:

[http://www.ise.ie/debt\\_documents/GL%20Europe%20RE%20Holdings%20S.%C3%A0%20r.l.%2031.12.15%20\(Searchable\)\(23322606\\_1\)\\_8a9abd16-2004-477f-81dd-eb9379a044e3.PDF](http://www.ise.ie/debt_documents/GL%20Europe%20RE%20Holdings%20S.%C3%A0%20r.l.%2031.12.15%20(Searchable)(23322606_1)_8a9abd16-2004-477f-81dd-eb9379a044e3.PDF),

(the **Borrower's Consolidated Accounts**).

The audited consolidated annual accounts of the Borrower consolidate the financial position of the Obligors (excluding the Borrower Holdco) as well as a number of other companies which are not relevant to this transaction. The audited consolidated annual accounts of the Borrower should be read together with the Unaudited *Pro Forma* Financial Information of the Borrower which consolidates the financial position of only the Obligors (excluding the Borrower Holdco) (please refer to the risk factor entitled "*The financial information of the Obligor Group included in this Prospectus may not be indicative of the Obligor Group's results of operations (as a reorganisation has taken place since the time such reports were prepared) or of its future results of operations*");

2. the audited annual accounts of each Propco for the years ended:

(i) 31 December 2014, at:

(A) [http://www.ise.ie/debt\\_documents/2014%20Financial%20Statements%20GI%20Europe%20Nottingham%2012%20SarI\(23677420\\_1\)\\_9733c0e6-9bb7-4108-a6da-81545b1a2d5c.PDF](http://www.ise.ie/debt_documents/2014%20Financial%20Statements%20GI%20Europe%20Nottingham%2012%20SarI(23677420_1)_9733c0e6-9bb7-4108-a6da-81545b1a2d5c.PDF) (Propco 2, formerly GL Europe Nottingham 12 S.à r.l.);

(B) [http://www.ise.ie/debt\\_documents/2014%20Financial%20Statements%20GI%20Europe%20Summit%20SarI\(23677393\\_1\)%20\(2\)\\_c063b7cd-f752-486f-a4d6-b81ed9601462.PDF](http://www.ise.ie/debt_documents/2014%20Financial%20Statements%20GI%20Europe%20Summit%20SarI(23677393_1)%20(2)_c063b7cd-f752-486f-a4d6-b81ed9601462.PDF) (Propco 3, formerly GL Europe Summit S.à r.l.); and

(C) [http://www.ise.ie/debt\\_documents/2014%20Financial%20Statements%20GI%20Europe%20Sheffield%201%20SarI\(23677405\\_1\)%20\(3\)\\_6d5318ef-5858-40cb-841e-bb4c7103d74d.PDF](http://www.ise.ie/debt_documents/2014%20Financial%20Statements%20GI%20Europe%20Sheffield%201%20SarI(23677405_1)%20(3)_6d5318ef-5858-40cb-841e-bb4c7103d74d.PDF) (Propco 1, formerly GL Europe Sheffield 1 S.à r.l.); and

(ii) 31 December 2015, at:

(A) [http://www.ise.ie/debt\\_documents/2015%20Financial%20Statements%20GI%20Europe%20Summit%20SarI\(23677515\\_1\)\\_18f2f1b8-fecc-4cb2-a99b-cf8d36e63c75.PDF](http://www.ise.ie/debt_documents/2015%20Financial%20Statements%20GI%20Europe%20Summit%20SarI(23677515_1)_18f2f1b8-fecc-4cb2-a99b-cf8d36e63c75.PDF) (Propco 3, formerly GL Europe Summit S.à r.l.);

- (B) [http://www.ise.ie/debt\\_documents/2015%20Financial%20Statements%20GI%20Europe%20Nottingham%2012%20Sarl\(23677431\\_1\)\\_bf990283-b2a3-421e-bf5a-c81cbcb2d238.PDF](http://www.ise.ie/debt_documents/2015%20Financial%20Statements%20GI%20Europe%20Nottingham%2012%20Sarl(23677431_1)_bf990283-b2a3-421e-bf5a-c81cbcb2d238.PDF) (Propco 2, formerly GL Europe Nottingham 12 S.à r.l.); and
- (C) [http://www.ise.ie/debt\\_documents/2015%20Financial%20Statements%20GI%20Europe%20Sheffield%201%20Sarl\(23677488\\_1\)\\_ba38ba11-7d7e-4397-af03-4c8c888d1238.PDF](http://www.ise.ie/debt_documents/2015%20Financial%20Statements%20GI%20Europe%20Sheffield%201%20Sarl(23677488_1)_ba38ba11-7d7e-4397-af03-4c8c888d1238.PDF) (Propco 1, formerly GL Europe Sheffield 1 S.à r.l.).

The audited annual accounts of each Propco should be read together with the Borrower's Consolidated Accounts and the Unaudited *Pro Forma* Financial Information of the Borrower (please refer to the risk factor entitled "*The financial information of the Obligor Group included in this Prospectus may not be indicative of the Obligor Group's results of operations (as a reorganisation has taken place since the time such reports were prepared) or of its future results of operations*") as they are not indicative of the Propcos' financial position as a reorganisation has taken place since the time such accounts were prepared; and

3. the audited annual accounts:

- (i) for GL Europe Portfolio Advisor Limited for the year ended 27 December 2015:

[http://www.ise.ie/debt\\_documents/2015%20Financial%20Statements%20GI%20Europe%20Portfolio%20Advisor%20Limited\(23677435\\_1\)\\_c05ba6c7-d28e-4b42-89d3-80092b89b786.PDF](http://www.ise.ie/debt_documents/2015%20Financial%20Statements%20GI%20Europe%20Portfolio%20Advisor%20Limited(23677435_1)_c05ba6c7-d28e-4b42-89d3-80092b89b786.PDF); and

- (ii) for GL Europe RE2 Holdings S.à r.l. for the year ended 31 December 2015:

[http://www.ise.ie/debt\\_documents/2015%20Financial%20Statements%20GI%20Europe%20RE2%20Holdings%20Sarl\(23677452\\_1\)\\_730df8b2-f399-4277-9e9a-7a3fbe8f6404.PDF](http://www.ise.ie/debt_documents/2015%20Financial%20Statements%20GI%20Europe%20RE2%20Holdings%20Sarl(23677452_1)_730df8b2-f399-4277-9e9a-7a3fbe8f6404.PDF).

Prospective investors should note that GL Europe RE2 Holdings S.à r.l. and GL Europe Portfolio Advisor Limited are not Obligors and their respective annual accounts have been incorporated by reference in this Prospectus solely for reference to information set out in the section entitled "*Unaudited Pro Forma Financial Information*".

## TRANSACTION OVERVIEW

### A. KEY PARTIES

#### **ISSUER**

**Issuer:** Student Finance plc (the **Issuer**) is a public limited liability company incorporated under the laws of England and Wales with registered number 10456685 as a subsidiary of the Issuer Holdco.

The Issuer is a newly incorporated special purpose vehicle with limited permitted activities. Its principal activities comprise, *inter alia*, issuing the Notes, advancing the Issuer/Borrower Loans and entering into the transactions contemplated in the Issuer Transaction Documents.

**Issuer Holdco:** Student Finance Holdings Limited (the **Issuer Holdco**) is a private limited liability company incorporated under the laws of England and Wales with registered number 10456554.

The Issuer Holdco is a newly incorporated special purpose vehicle with limited permitted activities. The Issuer Holdco's entire issued share capital is held by Intertrust Corporate Services Limited (in such capacity, the **Issuer Holdco Share Trustee**). The shares held by the Issuer Holdco Share Trustee are held under the terms of a discretionary trust, established under English law pursuant to the terms of a declaration of trust.

#### **OBLIGORS**

**Obligors:** Each of the Borrower Holdco, the Obligor Holdcos, the Propcos and the Management Companies (together with the Borrower and any other entity which accedes to, among others, the Obligor Deed of Charge and the Issuer/Borrower Loan Agreement in its capacity as such, the **Obligors** and the **Obligor Group** and each an **Obligor**) will guarantee the obligations of the Borrower and each other Obligor pursuant to the Obligor Guarantees and in accordance with the terms of the Issuer/Borrower Loan Agreement.

**Borrower:** GL Europe RE Holdings S.à r.l. (the **Borrower**) is a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the *Registre de Commerce et des Sociétés, Luxembourg* with number B 179625.

The Borrower indirectly owns the Propcos and is wholly owned by the Borrower Holdco.

**Borrower Holdco:** BSREP II PBSA Midco S.à r.l. (the **Borrower Holdco**) is a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the *Registre de*

*Commerce et des Sociétés, Luxembourg* with number B 204623. The Borrower Holdco was established for principal purpose of acting as the holding company of the Borrower. The Borrower Holdco is a wholly owned indirect subsidiary of the Brookfield Funds.

**Obligor Holdcos:**

PBSA Holdings S.à r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the *Registre de Commerce et des Sociétés Luxembourg* with number B 210553 (**Obligor Holdco 1**). Obligor Holdco 1 was established for the principal purpose of acting as the holding company of Obligor Holdco 2.

GL Europe RE1 Holdings S.à r.l., a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the *Registre de Commerce et des Sociétés, Luxembourg* with number B 179627 (**Obligor Holdco 2**) (together, the **Obligor Holdcos**). Obligor Holdco 2 was established for the principal purpose of acting as the holding company of the Propcos and certain of the Management Companies.

**Propcos:**

Each of PBSA 1 S.à r.l. (formerly known as GL Europe Sheffield 1 S.à r.l.) (registered number B179 682) (referred to as Propco 1), PBSA 2 S.à r.l. (formerly known as GL Europe Nottingham 12 S.à r.l.) (registered number B179 679) (referred to as Propco 2) and PBSA 3 S.à r.l. (formerly known as GL Europe Summit S.à r.l.) (referred to as Propco 3) (registered number B183 512) (each a **Propco** and together with any entity which is an owner of a Property and has acceded to the Issuer/Borrower Loan Agreement and the Obligor Deed of Charge as an Obligor, the **Propcos**).

Each Propco is a private limited liability company (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg.

Each Propco is a wholly owned indirect subsidiary of the Borrower and was established for the principal purpose of owning the relevant Properties.

**Management Companies:**

Each of:

- (a) GL Europe South Yorkshire UK Limited (registered number 08706240) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Sheffield 3 Property;
- (b) GL Europe Nottingham UK Limited (registered number 08706238) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 2 to manage the Nottingham Property;
- (c) GL Europe Trinity Square UK Limited (registered number 08706209) is a private limited company incorporated under



the laws of England and Wales and has been appointed by Propco 2 to manage the Trinity Square Property;

- (d) GL Europe Summit UK Limited (registered number 08906667) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 3 to manage the Summit Property;
- (e) GL Europe South Yorkshire UK 2 Limited (registered number 09200188) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Sheffield 2 Property;
- (f) GL Europe Newarke UK Limited (registered number 09319739) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Newarke Street Property;
- (g) GL Europe Brookland UK Limited (registered number 09319582) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 3 to manage the Brookland Road Property;
- (h) GL Europe Regents Court UK Limited (registered number 08906687) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Regents Court Property;
- (i) GL Europe QC UK Limited (registered number 08906666) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 3 to manage the Queens Court Property;
- (j) GL Europe Upperton Road UK Limited (registered number 09348151) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 2 to manage the Upperton Road Property;
- (k) GL Europe Eastern Boulevard UK Limited (registered number 09348168) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 2 to manage the Eastern Boulevard Property;
- (l) GL Europe Blandford Square UK Limited (registered number 09328427) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Newcastle 1 Property; and
- (m) GL Europe Wrexham UK Limited (registered number 09776797) is a private limited company incorporated under the laws of England and Wales and has been appointed by Propco 1 to manage the Snowdon Hall Property,

each a **Management Company** and together with any entity that

accedes to the Obligor Deed of Charge and the Issuer/Borrower Loan Agreement as a management company, the **Management Companies**.

### ***ASSET MANAGER AND FACILITY MANAGERS***

**Asset Manager:** GL Europe Portfolio Advisor Limited (registered number 08721957) is a private limited company incorporated under the laws of England and Wales (together with any additional, replacement or successor asset manager from time to time as appointed by the Borrower, the **Asset Manager** or the **Asset Managers**, as applicable). GL Europe Portfolio Advisor Limited has been appointed by the Borrower to be the asset manager of the Properties pursuant to a portfolio advisory agreement dated 13 January 2017.

The Borrower has the option (to be exercised within three months of the Closing Date) to appoint PBSA Portfolio Advisor Limited (registered number 10387721) as asset manager, in replacement of GL Europe Portfolio Advisor Limited.

**Facility Managers:** Derwent Facilities Management Limited (**Derwent**) and Student Union Lettings Limited (**Sulets**) (together with any additional, replacement or successor facility manager from time to time, the **Facility Managers**).

The Facility Managers will collect rent on behalf of the relevant Management Companies. The Facility Managers will declare a trust over the rents relating to each Property in favour of each relevant Management Company (the **Facility Manager Collection Declaration of Trust**).

### ***ISSUER RELATED PARTIES***

**Servicer:** Solutus Advisors Limited (registered number 07350379) (in such capacity, together with any additional, successor or replacement, the **Servicer**) has been appointed by the Issuer to act as servicer of the Issuer/Borrower Loans pursuant to the Servicing Agreement.

**Special Servicer:** Solutus Advisors Limited (registered number 07350379) (in such capacity, together with any successor or replacement, the **Special Servicer**) has been appointed by the Issuer to act as special servicer of the Issuer/Borrower Loans pursuant to the Servicing Agreement.

**Note Trustee:** U.S. Bank Trustees Limited (registered number 02379632) (in such capacity, together with any successors and assigns or any additional or other trustee or trustees appointed pursuant to the Note Trust Deed, the **Note Trustee**) will be appointed as trustee for the holders from time to time of the Notes pursuant to a note trust deed constituting the Notes dated the Closing Date (the **Note Trust Deed**) between the Issuer and the Note Trustee.

**Issuer Security Trustee:** U.S. Bank Trustees Limited (registered number 02379632) (in such capacity, together with its successors and assigns or any additional or other security trustee or security trustees appointed pursuant to

the Issuer Deed of Charge, the **Issuer Security Trustee**) will be appointed as trustee for the Issuer Secured Creditors (including the Note Trustee and the Noteholders) of the Issuer Security pursuant to a deed of charge dated the Closing Date (the **Issuer Deed of Charge**), and the security granted thereunder, the **Issuer Security**) between (among others) the Issuer and the Issuer Security Trustee.

**Issuer Account Bank:** Elavon Financial Services DAC, UK Branch (together with any successor or replacement account bank appointed from time to time pursuant to the Issuer Account Bank Agreement, the **Issuer Account Bank**) will be appointed as account bank to the Issuer and will maintain the:

- (a) Issuer Transaction Account;
- (b) Issuer Liquidity Reserve Account; and
- (c) Issuer Liquidity Standby Account,

and any other bank account opened by the Issuer on or after the Closing Date (the **Issuer Accounts**) on behalf of the Issuer pursuant to an account bank agreement dated the Closing Date (the **Issuer Account Bank Agreement**) between the Issuer, the Issuer Account Bank, the Issuer Cash Manager and the Issuer Security Trustee.

The Issuer will be required to maintain the Issuer Accounts with an Issuer Account Bank which has the Required Ratings.

**Principal Paying Agent:** Elavon Financial Services DAC, UK Branch will provide certain services to the Issuer as principal paying agent (in such capacity, the **Principal Paying Agent** and together with any successors, assigns or other paying agent appointed pursuant to the Agency Agreement from time to time, the **Paying Agents**) pursuant to the terms of a paying agency agreement dated the Closing Date (the **Agency Agreement**) between the Issuer, the Principal Paying Agent and the Note Trustee.

**Issuer Cash Manager:** Elavon Financial Services DAC, UK Branch (in such capacity, together with any successor or replacement appointed from time to time pursuant to the Issuer Cash Management Agreement, the **Issuer Cash Manager**) will be appointed as cash manager by the Issuer, pursuant to the terms of a cash management agreement dated the Closing Date (the **Issuer Cash Management Agreement**) between the Issuer, the Issuer Security Trustee and the Issuer Cash Manager. The Issuer Cash Manager will manage the Issuer Accounts and will determine the amounts of, and arrange for the making of, payments due from the Issuer and will keep certain records on the Issuer's behalf.

**Corporate Services Provider:** Intertrust Management Limited (registered number 03853947) will be appointed as corporate services provider to the Issuer and the Issuer Holdco (in such capacity, together with any successor or replacement appointed from time to time by the Issuer, the **Corporate Services Provider**) pursuant to the terms of a corporate services agreement

(the **Corporate Services Agreement**) dated the Closing Date between, *inter alios*, the Issuer, the Issuer Holdco, the Issuer Security Trustee and the Corporate Services Provider. Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider will provide certain directors and certain other corporate services to the Issuer and the Issuer Holdco.

**Issuer Secured Creditors:**

The Issuer Security Trustee, any appointee appointed by it (including any receiver appointed by it), the Noteholders, the Note Trustee (and any appointee appointed by it), the Issuer LF Providers, the LF Agent, the Issuer Cash Manager, the Issuer Account Bank, the Paying Agents, the Servicer, the Special Servicer and the Corporate Services Provider, any other person acceding to the Issuer Deed of Charge and any other Issuer Security Document as beneficiary from time to time and any other person designated as such by the Issuer and the Issuer Security Trustee.

**Issuer LF Providers:**

HSBC Bank plc, Barclays Bank PLC and Royal Bank of Canada, on a several basis (together with any assignees or transferees, the **Issuer LF Providers**). On the Closing Date, the Issuer LF Providers will provide the Issuer Liquidity Facility to the Issuer. The Issuer will be required to maintain the Issuer Liquidity Facility with a financial institution(s) having at least the Issuer LF Provider Minimum Ratings.

**Issuer LF Provider Minimum Ratings** means, in respect of the rating of the long-term unsecured, unsubordinated and unguaranteed obligations of an Issuer LF Provider or an Additional Issuer LF Provider:

- (a) a rating from S&P of at least BBB-; or
- (b) a rating from S&P that would support the relevant rating of the Notes from S&P at any time and would not lead to any downgrade of the then current ratings of the Notes or the placing on "Credit Watch Negative" (or equivalent) of the Notes, in accordance with the published criteria for S&P (relevant for the applicable counterparty), subject to the prior written consent of all of the Issuer LF Providers if such rating is above a long-term rating of BBB- from S&P. For the avoidance of doubt, if such written consent is not provided, an Issuer LF Provider will be deemed to have the Issuer LF Provider Minimum Ratings if paragraph (a) above is satisfied; and
- (c) in the event that the Issuer engages another rating agency to rate the Notes on a solicited basis, a rating from that rating agency that would support the relevant rating of the Notes from such rating agency at any time and would not lead to any downgrade of the then current ratings of the Notes or the placing on "Credit Watch Negative" (or equivalent) of the Notes, in accordance with the published criteria (relevant for the applicable counterparty) for the relevant rating agency, subject to the prior written consent of all of the Issuer LF Providers. For the avoidance of doubt, if such written consent

is not provided, an Issuer LF Provider will be deemed to have the Issuer LF Provider Minimum Ratings if either of paragraphs (a) or (b) above is satisfied.

RBC Europe Limited will be the agent of the Issuer LF Providers (the **LF Agent**).

## ***OBLIGOR RELATED PARTIES***

### **Obligor Security Trustee:**

U.S. Bank Trustees Limited (registered number 02379632) (in such capacity, together with any successors or assigns or additional or other security trustee or security trustees appointed pursuant to the Obligor Deed of Charge, the **Obligor Security Trustee**) will be appointed as security trustee pursuant to the Obligor Deed of Charge dated the Closing Date between, among others, the Obligor Security Trustee, the Borrower, the Issuer and the Obligor Secured Creditors.

The Obligor Security Trustee will hold the security (the **Obligor Security**) granted by the Obligors pursuant to a deed of charge dated the Closing Date (the **Obligor Deed of Charge**) between (among others) the Obligors and the Obligor Security Trustee, the Luxembourg Security Documents, (to the extent any Northern Irish assets are included in the Property portfolio) any Northern Irish law security documents and (to the extent Scottish assets are included in the Property Portfolio) any Scottish security documents, on trust for itself and the other Obligor Secured Creditors and will be entitled to enforce the Obligor Security subject to and in accordance with the terms of the Intercreditor Agreement, Issuer/Borrower Loan Agreement, the Obligor Deed of Charge, the Luxembourg Security Documents, any Northern Irish security documents and any Scottish security documents.

### **Obligor Account Bank:**

Barclays Bank PLC (in such capacity, together with any successor or replacement appointed from time to time pursuant to the Obligor Account Bank Agreement, the **Obligor Account Bank**) will be appointed as account bank to the Obligors pursuant to the terms of the account bank agreement dated the Closing Date (the **Obligor Account Bank Agreement**) between, among others, the Obligors, the Obligor Account Bank and the Obligor Security Trustee. The Obligor Account Bank will perform certain account bank services in relation to certain accounts on behalf of the Obligors.

The Obligors are required to maintain the Obligor Accounts (see the section entitled "*Issuer/Borrower Loan Agreement – Obligor Accounts*" for further details). The Obligors will be required to maintain the Obligor Accounts with an Obligor Account Bank which has the Required Ratings.

**Required Ratings** means, in respect of the rating of the long-term unsecured, unsubordinated and unguaranteed obligations of the relevant entity:

- (a) a rating of at least BBB- from S&P; or

- (b) a rating from S&P that would support the relevant rating of the Notes from S&P at any time and would not lead to any downgrade of the then current ratings of the Notes or the placing on "Credit Watch Negative" (or equivalent) of the Notes, in accordance with the published criteria for S&P (relevant for the applicable counterparty), subject to the prior written consent of the Obligor Account Bank or the Issuer Account Bank, as applicable, if such rating is above a long-term rating of BBB- from S&P. For the avoidance of doubt, if such written consent is not provided, the Obligor Account Bank or the Issuer Account Bank, as applicable, will be deemed to have the Required Ratings if paragraph (a) above is satisfied; and
- (c) in the event that the Issuer engages another rating agency to rate the Notes on a solicited basis, a rating from that rating agency that would support the relevant rating of the Notes from such rating agency at any time and would not lead to any downgrade of the then current ratings of the Notes or the placing on "Credit Watch Negative" (or equivalent) of the Notes, in accordance with the published criteria (relevant for the applicable counterparty) for the relevant rating agency, subject to the prior written consent of the Obligor Account Bank or the Issuer Account Bank, as applicable. For the avoidance of doubt, if such written consent is not provided, the Obligor Account Bank or the Issuer Account Bank, as applicable, will be deemed to have the Required Ratings if either of paragraphs (a) or (b) above is satisfied.

<b>Hedge Counterparties:</b>	Any counterparties under Hedges that the Borrower may enter into after the Closing Date in connection with any new Issuer/Borrower Loans using the proceeds of any floating rate Notes.
<b>Finance Parties:</b>	Each of the Issuer, the Obligor Security Trustee and any Hedge Counterparty.
<b>Obligor Secured Creditors:</b>	Each of the Obligor Security Trustee, any receiver or delegate, and each of the Primary Finance Parties (being the Finance Parties and the Mezzanine Finance Parties) from time to time but, in the case of each Primary Finance Party, only if it is a party to the Intercreditor Agreement or has acceded to the Intercreditor Agreement in such capacity, and any other person designated as such by the Borrower, the Mezzanine Loan Note Issuer and the Obligor Security Trustee, (together the <b>Obligor Secured Creditors</b> ).

#### ***MEZZANINE LOAN NOTE RELATED PARTIES***

<b>Mezzanine Loan Note Issuer:</b>	BSREP II PBSA Mezz Borrower S.à r.l. will be a private limited company, ( <i>société à responsabilité limitée</i> ) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the Registre de Commerce et des Sociétés, Luxembourg with number B 210545.
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The Mezzanine Loan Note Issuer is wholly owned by the Mezzanine Holdco.

**Mezzanine Loan Noteholders:**

The Mezzanine Issuer and any Mezzanine Noteholders who become a party to the Mezzanine Loan Note Agreement in their capacity as Mezzanine Cure Loan Noteholders.

**Mezzanine Holdco:**

BSREP II PBSA Mezz Holdco S.à r.l. will be a private limited company, (*société à responsabilité limitée*) established under the laws of Luxembourg, having its registered seat at 1, rue Schiller, L-2519 Luxembourg and duly registered at the Registre de Commerce et des Sociétés, Luxembourg with number B 210506.

Mezzanine Holdco is a wholly owned subsidiary of the Brookfield Funds.

**Mezzanine Obligors:**

The Obligors, the Mezzanine Loan Note Issuer and the Mezzanine Holdco.

**Mezzanine Security Trustee:**

U.S. Bank Trustees Limited will be appointed as security trustee pursuant to the Mezzanine Only Security Documents to be dated on or about the Closing Date between the Mezzanine Obligors and the Mezzanine Issuer (in such capacity, the **Mezzanine Security Trustee**).

The Mezzanine Security Trustee will hold the Mezzanine Only Security on trust for the Mezzanine Secured Parties and will be entitled to enforce the Mezzanine Only Security subject to and in accordance with the terms of the Intercreditor Agreement and the Mezzanine Only Security Documents.

**Mezzanine Finance Parties:**

Each of the Mezzanine Agent, the Mezzanine Security Trustee and each Mezzanine Loan Noteholder.

**Mezzanine Secured Parties:**

Each of the Mezzanine Finance Parties, a mezzanine receiver of the whole or any part of the assets subject to, or expressed to be subject to, the Mezzanine Only Security and any delegate appointed by the Mezzanine Security Trustee.

***OTHER PARTIES***

**Listing agent:**

Arthur Cox Listing Services with its offices at Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.

**Stock exchange:**

The Irish Stock Exchange plc with its offices at 28 Anglesea Street, Dublin, Ireland.

**Clearing Systems:**

Clearstream, Luxembourg at 42 Avenue J.F. Kennedy, L-1855 Luxembourg and Euroclear Bank S.A./N.V. at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium (together the **Clearing Systems**).

**Rating Agencies:**

Initially, S&P (together with any other rating agencies appointed by

the Issuer from time to time to provide credit ratings for the Notes, the **Rating Agencies**).

S&P is a credit rating agency established and operating in the European Community prior to 7 June 2010 and has been registered in compliance with the requirements of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council dated 16 September 2009 of Credit Rating Agencies (as amended) (the **CRA Regulation**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to a revision, suspension or withdrawal at any time by the assigning rating organisation.

**Arrangers:**

Barclays, HSBC and RBC Capital Markets will act as the mandated arrangers in respect of the issue of the Notes (each an **Arranger** and together, the **Arrangers**).

**Bookrunners:**

Barclays, HSBC and RBC Capital Markets will act as active bookrunners in respect of the issue of the Notes (each a **Bookrunner** and together, the **Bookrunners**).



## B. KEY CHARACTERISTICS OF THE NOTES

<b>Offering</b>		Regulation S only
<b>Closing Date</b>		On or about 7 March 2017
<b>Initial principal amount</b>		£215,000,000
<b>Issue price</b>		100 per cent.
<b>Note Expected Maturity Date</b>		30 September 2024
<b>Note Final Maturity Date</b>		30 September 2029
<b>Expected Ratings</b>	<b>S&amp;P</b>	BBB(sf)
<b>Interest Rate</b>		2.6663 per cent. per annum
<b>Interest accrual method</b>		Actual/Actual (ICMA)
<b>Note Interest Payment Dates</b>		Semi-annually on 15 June and 15 December of each year
<b>Initial Note Interest Payment Date</b>		15 June 2017
<b>Early redemption amount</b>		Modified Spens (the greater of 100 per cent. and Gilts + 50 bps)
<b>Business Days</b>		London, Luxembourg and Cayman Islands
<b>Business Day convention</b>		Modified following
<b>Minimum denominations</b>		£100,000 and integral multiples of £1,000 in excess thereof
<b>ISIN</b>		XS1527548686
<b>Common Code</b>		152754868

**Form and denominations:**

The Notes will be in registered form and will initially be represented by a global note (the **Global Note**), which will be deposited on or about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the common safekeeper. Ownership interests in the Global Note will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants.

In certain limited circumstances, Notes will be issued in definitive registered form (**Definitive Notes**) in exchange for the Global Note.

Definitive Notes will be issued in registered form in minimum denominations of £100,000 and integral multiples of £1,000. No Notes will be issued with a denomination below £100,000.

**Status and ranking:**

The Notes will be constituted by the Note Trust Deed entered into on the Closing Date and will be secured by the Issuer Security created under or pursuant to the Issuer Deed of Charge entered into on the Closing Date.

The Notes will constitute secured, direct, unconditional (subject to Condition 11 (Action and Proceedings) of the Conditions) and unsubordinated obligations of the Issuer.

Prior to the occurrence of a Note Event of Default and the delivery to the Issuer of a Note Acceleration Notice and/or the enforcement by the Issuer Security Trustee of the Issuer Security in accordance with the Issuer Deed of Charge, payments of interest in respect of the Notes will be made in accordance with the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities (see "*Payment Priorities*").

The Notes will represent the right of the holders thereof (the **Noteholders**) to receive payments of interest, principal and/or other amounts (if any) from the Issuer in accordance with the terms and conditions of the Notes (the **Conditions**).

**Note Interest Payment Dates and Note Interest Periods:**

Interest on the Notes is payable by reference to successive six-month interest periods each of which commence on (and include) 15 December and 15 June and end on (but exclude) 15 June and 15 December (respectively) (each, a **Note Interest Period**), provided that (A) the first Note Interest Period will commence on (and include) the Closing Date and end on (but exclude) 15 June 2017 and (B) the last Note Interest Period will end on (but exclude) the Note Expected Maturity Date (if the Notes are redeemed in full on the Note Expected Maturity Date) or end on (but exclude) the Note Final Maturity Date (if the Notes are not redeemed in full on the Note Expected Maturity Date).

Interest on the Notes will be payable in arrear on each Note Interest Payment Date (and the Note Expected Maturity Date (if the Notes are redeemed in full on such date) or the Note Final Maturity Date (if the

Notes are not redeemed in full on the Note Expected Maturity Date) or, if such date is not a Business Day, the next following Business Day in that calendar month (if there is one) or the preceding Business day (if there is not).

Each successive Note Interest Period will commence on (and include) a Note Interest Payment Date and end on (but exclude) the following Note Interest Payment Date (and for the avoidance of doubt will not be adjusted to reflect the modified following business day convention described above).

Interest on the Notes is payable in arrear on 15 December and 15 June in each year and on 30 September 2024 (if the Notes are redeemed in full on such date) and 30 September 2029 (if the Notes are not redeemed in full on 30 September 2024) each, subject to the business day convention set out in Condition 5.2, a **Note Interest Payment Date**.

**Withholding tax:**

All payments of principal, interest and/or other amounts (if any) in respect of the Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, unless such withholding or deduction is required by law.

Neither the Issuer nor any other person will be obliged to pay any additional amounts to the Noteholders in respect of any amounts required to be withheld or deducted as described above.

**Expected redemption:**

The Notes are expected to be redeemed at their original principal amount less the aggregate amount of all payments of principal made in respect of such Notes which have become due and payable and have been paid (the **Principal Amount Outstanding**) on the Note Interest Payment Date falling on 30 September 2024 (the **Note Expected Maturity Date**) to correspond with the Loan Final Maturity Date together with accrued but unpaid interest on the Principal Amount Outstanding of the Notes up to (but excluding) the Note Expected Maturity Date. On each Note Interest Payment Date after the Note Expected Maturity Date on which the Notes remain outstanding, to the extent that the Issuer receives repayment in whole or in part of the Issuer/Borrower Loan, on or prior to the Distribution Date immediately preceding such Note Interest Payment Date, the Issuer shall redeem the Notes on the Note Interest Payment Date in a principal amount corresponding to the amount of such repayment together with accrued but unpaid interest.

**Final redemption:**

Unless previously redeemed in full, the Notes will be redeemed at their Principal Amount Outstanding on the Note Interest Payment Date falling on 30 September 2029 (the **Note Final Maturity Date**), together with accrued but unpaid interest on the Principal Amount Outstanding of the Notes up to (but excluding) the Note Final Maturity Date.

**Mandatory early redemption in whole or in part:**

Under the terms of the Issuer/Borrower Loan Agreement, the Borrower is in some circumstances permitted, and in other circumstances required, to prepay or repay the Issuer/Borrower Loans prior to the

Note Expected Maturity Date and/or the Note Final Maturity Date (as applicable).

If the Borrower gives notice to the Issuer that it will prepay the whole or part of the Issuer/Borrower Loans (in accordance with the Issuer/Borrower Loan Agreement) (refer to the section entitled "*Initial Issuer/Borrower Loan – Prepayment of the Issuer/Borrower Loan*" for further details), then the Issuer will be obliged to redeem the corresponding Notes (in part or in whole, as applicable) at their then Principal Amount Outstanding multiplied by the Redemption Percentage (as defined below) (the **Redemption Amount**) on the Note Interest Payment Date on or immediately following the date on which the relevant prepayment is made by the Borrower.

Any prepayment by the Borrower must be made together with, among other amounts, any accrued but unpaid interest to the Note Interest Payment Date on which the corresponding Notes will be redeemed together with any other amounts required by the Issuer to pay the Redemption Amount in respect of the corresponding Notes on such Note Interest Payment Date and any amounts ranking in priority to or *pari passu* with the corresponding Notes on such Note Interest Payment Date (the **Repayment Costs**).

**Redemption Percentage** means:

- (a) in connection with any redemption of the Notes prior to their Note Expected Maturity Date or the enforcement of the Obligor Security as a result of (A) a voluntary prepayment of the Initial Issuer/Borrower Loan as set out in Clause 7.1(a) (*Voluntary prepayments of the Issuer/Borrower Loans*) of the Issuer/Borrower Loan Agreement (including by way of voluntary prepayment from the Cure Account, the Lock-Up Account or the Defeasance Account (but only if such prepayment from the Defeasance Account is made using funds that would otherwise fall within this paragraph (a) if they had been applied in prepayment of the Issuer/Borrower Loan, such as the proceeds from the disposal of a Property or an Obligor), (B) a prepayment of the Initial Issuer/Borrower Loan that is made using proceeds from the disposal of a Property or an Obligor or from a Disposal Account pursuant to Clause 7.2(c) (*Other mandatory prepayments*) of the Issuer/Borrower Loan Agreement or (C) a prepayment of the Initial Issuer/Borrower Loan pursuant to Clause 7.2(c) (*Other mandatory prepayments*) the Issuer/Borrower Loan Agreement made from amounts paid to cure a Mezzanine Financial Covenant Ratio Breach (whether from the Cure Account or otherwise) greater of:
  - (i) 100 per cent.; and
  - (ii) that price (as reported in writing to the Issuer and the Note Trustee by a financial adviser selected by the Expert) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being

rounded upwards)) at which the Gross Redemption Yield on the Notes on the Relevant Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date plus 0.50 per cent. and so that for the purpose of this sub-paragraph (ii):

**Reference Market Makers** means three brokers and/or London gilt-edged market makers approved in writing by the Expert;

**Relevant Date** means the date which is the third business day in London prior to the date of redemption pursuant to Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loans) of the Notes;

**Gross Redemption Yield** means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16/03/2005); and

**Relevant Treasury Stock** means such United Kingdom government stock as the Expert shall determine to be a benchmark gilt, the maturity of which most closely matches the Note Expected Maturity Date of the Notes as calculated by a financial adviser selected by the Expert, where **Expert** means a leading broker and/or gilt-edged market maker or other expert operating in the gilt market selected and appointed by the Issuer and notified in writing to the Note Trustee; and

- (b) in connection with any redemption of the Notes on or following their Note Expected Maturity Date or the enforcement of the Obligor Security or as a result of a prepayment of the Issuer/Borrower Loan for a reason other than as referred to in (a) above, 100 per cent.

In all other circumstances (including as a result of illegality, tax reasons as referred to below or after the Note Expected Maturity Date), a prepayment of the Issuer/Borrower Loans which results in a redemption of the Notes, will result in such redemption being without premium or penalty and such redemption shall be made at the then Principal Amount Outstanding of the relevant Notes.

**Cancellation and redemption in whole upon gross-up under the Issuer/Borrower Loan Agreement:**

The Issuer shall redeem all of the Notes on a Note Interest Payment Date at their Principal Amount Outstanding together with any accrued but unpaid interest thereon at any time that the Borrower cancels and prepays the Issuer/Borrower Loans as a consequence of the Borrower or any other Obligor being required to increase certain payments to the Issuer as a result of the imposition of a requirement to deduct or withhold tax from such payments.

**Substitution/ redemption in whole for taxation on Notes and other reasons:**

In the event that the Issuer satisfies the Note Trustee that:

- (a) any change in tax law (or the application or official interpretation thereof) requires or will require the Issuer to make any withholding or deduction for or on account of any taxes from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of such withholding or deduction); or
- (b) by reason of a change in law (or the application or official interpretation thereof) it has or will become unlawful in any applicable jurisdiction for the Issuer to perform any of its obligations under the Issuer/Borrower Loan Agreement or the Notes or to fund or to maintain its participation in the Issuer/Borrower Loans,

the Issuer will be obliged to use its reasonable endeavours to mitigate the effects of these events by arranging for the substitution of a company incorporated in an alternative jurisdiction (approved in writing by the Note Trustee) as principal debtor under the Notes and in respect of the other Issuer Secured Liabilities and as a lender under the Issuer/Borrower Loan Agreement and/or by appointing a paying agent in an alternative jurisdiction, as the case may be.

If the Issuer is, upon the occurrence of any such events described above, unable to mitigate or arrange a substitution and the Issuer has notified the Borrower of such events thereby obliging the Borrower to repay the Issuer/Borrower Loans, the Issuer may redeem (without premium or penalty) all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest thereon.

**Mandatory redemption following Obligor Enforcement Notice and/or Obligor Acceleration Notice:**

The Issuer shall apply any monies received from or on behalf of the Obligor Security Trustee or any receiver appointed by the Obligor Security Trustee (other than as set out above) in repayment of the Issuer/Borrower Loans following the delivery of an Obligor Enforcement Notice and/or an Obligor Acceleration Notice to redeem the Notes at their then Principal Amount Outstanding.

**Further Notes, New Notes and Replacement Notes:**

The Issuer will be entitled (but not obliged) at its option at any time and from time to time, without the consent of the Noteholders, to raise further funds by the creation and issue of:

- (a) notes (the **Further Notes**), which will be in registered form and carry the same terms and conditions in all respects (save for

the amount and the date of the first payment of interest thereon and the date from which interest starts to accrue) as a Class of the Notes then outstanding and form a single Class with them;

- (b) new notes (the **New Notes**), which will be in registered form and which will rank *pari passu* with the existing Notes then outstanding and may have terms and conditions which differ from the then existing Notes and which do not form a single Class with the existing Notes; and/or
- (c) notes of a new Class (the **Replacement Notes**), which will be in registered form and which may replace some or all of the Notes or any other Notes then outstanding and rank *pari passu* with the Notes or such other Notes then outstanding and may carry terms that differ from the existing Notes or such other Notes then outstanding and do not form a single Class with them.

It shall be a condition precedent to the issue of any Further Notes, New Notes or any Replacement Notes that, among other things, a Rating Agency Confirmation is obtained, pursuant to which:

- (a) the Rating Agencies confirm that any Further Notes are assigned the same ratings as the then current ratings of the Notes then outstanding with which they are to be consolidated and form a single Class with; and
- (b) the Rating Agencies provide a Rating Agency Confirmation that the then current ratings of the Notes and any other Notes then outstanding will not be downgraded, withdrawn or qualified by the issue of any Further Notes, New Notes or, as the case may be, Replacement Notes.

#### **Purchases:**

The Obligors may purchase the Notes but only to the extent that the relevant Obligor is permitted to do so pursuant to the Issuer/Borrower Loan Agreement. Any Notes which are so purchased by an Obligor will, in accordance with the Issuer/Borrower Loan Agreement, be surrendered by that Obligor to the Issuer and an amount of the corresponding Issuer/Borrower Loans equal to the principal amount outstanding of such Notes shall then be treated as having been repaid and cancelled.

Until an Obligor (including the Borrower) surrenders Notes to the Issuer which it has purchased in accordance with the Issuer/Borrower Loan Agreement or if the Brookfield Funds or any member of the Brookfield Group purchases Notes, it shall not exercise any voting rights in respect of or count towards a quorum for Noteholder meetings with respect to such Notes held by it. An Obligor may only purchase Notes in accordance with the Issuer/Borrower Loan Agreement – see "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement*".

#### **Acceleration and**

If a Note Event of Default has occurred and is continuing, the Note

**enforcement:**

Trustee at its absolute discretion may, and if:

- (a) so requested in writing by the holders of Notes outstanding constituting not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Notes then outstanding; or
- (b) so directed by or pursuant to an Extraordinary Resolution of the Noteholders of the Notes then outstanding,

shall (in each case, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Note Acceleration Notice**) to the Issuer and the Issuer Security Trustee declaring all the Notes to be immediately due and repayable in accordance with Condition 10 (Note Events of Default).

Upon the giving of a Note Acceleration Notice in accordance with Condition 10 (Note Events of Default), the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and other accrued and unpaid amounts as provided in the Note Trust Deed, as described in Condition 11 (Action and Proceedings).

The Issuer Security will become enforceable upon the occurrence of a Note Event of Default.

**Note Maturity Report:**

As described in more detail in Condition 13 (Note Maturity Report), if, on or before the date falling 12 months prior to the Note Final Maturity Date, the Issuer/Borrower Loans remain outstanding and the Special Servicer considers (acting in accordance with the Servicing Standard) that all recoveries then anticipated by the Special Servicer with respect to the Issuer/Borrower Loans are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Note Final Maturity Date, deliver a report (the **Note Maturity Report**) in draft form, no later than 45 days after the date falling 12 months prior to the Note Final Maturity Date, to the Issuer (which must promptly deliver the same to the Noteholders), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent as to a selection of proposals and/or strategies to enable the maximisation of recoveries in respect of the Issuer/Borrower Loans.

At least one proposal provided by the Special Servicer must be that the Issuer Security Trustee, at the cost of the Issuer, will engage an independent financial adviser or receiver to advise the Issuer Security Trustee as to the enforcement of the Issuer Security.

Upon receipt of the draft Note Maturity Report, the Note Trustee will convene a meeting of the Noteholders (at the cost of the Issuer) to discuss the various proposals set out in the draft Note Maturity Report. If required by the Note Trustee, the Special Servicer will be required to attend and be available to speak at such meeting.

Promptly following any such meeting, the Special Servicer will be required to reconsider and modify the Note Maturity Report (taking into



account the discussions at the meeting of the Noteholders held in relation thereto) and will promptly deliver the final Note Maturity Report to the Noteholders, the Issuer (which must promptly deliver the same to the Noteholders), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent.

Upon receipt of the final Note Maturity Report, the Note Trustee will convene a meeting of the Noteholders (at the cost of the Issuer) where the Noteholders will be required to select their preferred option among the proposals set out in the final Note Maturity Report.

If a proposed strategy of the Special Servicer as set out in the final Note Maturity Report is approved at a meeting of the Noteholders by way of Ordinary Resolution, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard. If no option presented to the Noteholders in the Note Maturity Report receives the approval of the Noteholders by Ordinary Resolution at such meeting, the Issuer Security Trustee shall be deemed directed by all the Noteholders to appoint a receiver to realise the Issuer Security as soon as practicable upon being able to do so.

**Transfer restrictions:** Subject to applicable laws and regulations, there will be no transfer restrictions in respect of the Notes.

**Selling restrictions:** There will be restrictions on the offer, sale and transfer of the Notes. See "*Subscription and Sale; Transfer Restrictions*".

**Limited recourse and non-petition:** No Noteholder shall be entitled to take any steps (otherwise than in accordance with the Note Trust Deed and the Conditions) to enforce the Issuer Security other than when expressly permitted to do so under the Conditions, enforce the performance of any of the provisions of the Issuer Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Note Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer nor take any action which would result in the Issuer Payment Priorities not being observed.

All obligations of the Issuer to the Noteholders are limited in recourse to the Issuer Charged Assets.

**Governing law:** The Notes and the Issuer Transaction Documents and any non-contractual obligations arising out of or in respect of them will be governed by English law.

**Jurisdiction:** The English courts will have exclusive jurisdiction in relation to any dispute relating to the Notes, the Note Trust Deed and the other Issuer Transaction Documents and any non-contractual obligations arising out of or in connection therewith.

## C. KEY CHARACTERISTICS OF THE INITIAL ISSUER/BORROWER LOAN

The section below describes the key characteristics of the Initial Issuer/Borrower Loan. Refer to the section entitled "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement - Issuer/Borrower Loan Agreement*" for further details.

<b>Initial Issuer/Borrower Loan:</b>	<p>The Initial Issuer/Borrower Loan will be a full recourse obligation of the Borrower.</p> <p>As part of the issuance of any Further Notes or New Notes, the Issuer has the ability to advance corresponding further Issuer/Borrower Loans to the Borrower, subject to certain conditions being met.</p> <p>Any further Issuer/Borrower Loan corresponding to any Further Notes (in respect of the Notes) issued after the Closing Date will be deemed, read and construed as a single loan with the Initial Issuer/Borrower Loan from the Closing Date of such Further Notes.</p>
<b>Guarantees:</b>	<p>The obligations of the Borrower under the Initial Issuer/Borrower Loan Agreement are guaranteed on a joint and several basis by each other Obligor under the Obligor Guarantees. The obligations of the Borrower under the Issuer/Borrower Loan Agreement and the other Obligors in respect thereof under the Obligor Guarantees are secured by the Obligor Security.</p>
<b>Purpose:</b>	<p>The Borrower will apply the proceeds of the Initial Issuer/Borrower Loan (together with the proceeds of the Initial Mezzanine Loan Notes) towards prepaying in full the indebtedness incurred under the Bridge Facility Agreement. See "<i>Use of proceeds</i>" for more information.</p>
<b>Interest rate:</b>	<p>The Initial Issuer/Borrower Loan will bear interest at a rate equal to the rate applicable to the Notes.</p>
<b>Interest payments:</b>	<p>Interest under the Initial Issuer/Borrower Loan will be paid three Business Days prior to each Loan Interest Payment Date (which means that interest will be paid three Business Days prior to the dates on which payments in respect of interest are required to be made on the Notes).</p>
<b>Final repayment:</b>	<p>Unless the Borrower has previously repaid the Initial Issuer/Borrower Loan, it will be required to repay the Initial Issuer/Borrower Loan on the day falling three Business Days prior to 30 September 2024 (the <b>Loan Final Maturity Date</b>) (which will coincide with the Note Expected Maturity Date of the Notes) together with accrued interest up to (but excluding) the Loan Final Maturity Date.</p>
<b>Repayment, prepayment and cancellation:</b>	<p>Repayment of the Initial Issuer/Borrower Loan shall be made in accordance with the terms of the Issuer/Borrower Loan Agreement. See "<i>Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement</i>".</p>

Any notice of prepayment or cancellation shall be irrevocable and any prepayment pursuant to the Issuer/Borrower Loan Agreement shall be accompanied by the payment of certain break costs, accrued interest and associated costs on the amount prepaid. See "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement*".

**Representations and warranties:**

The representations and warranties to be given by the Obligors under the Issuer/Borrower Loan Agreement in respect of the Initial Issuer/Borrower Loan on the date of this Prospectus and on the Closing Date (and, in respect of certain of the representations and warranties, on each Loan Interest Payment Date) will be those set out in the section entitled "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement*".

**Covenants:**

The covenants to be made by the Obligors under the Issuer/Borrower Loan Agreement in respect of the Initial Issuer/Borrower Loan will be those set out in the section entitled "*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement – Issuer/Borrower Loan Agreement*".

**Guarantees and security:**

As security for the repayment of the Issuer/Borrower Loans and the Obligor Guarantees, the Borrower and the other Obligors will enter into an English law deed of charge on the Closing Date (the **Obligor Deed of Charge**) and will also enter into the Luxembourg Account Pledge, the Luxembourg Receivables Pledge and the Luxembourg Share Pledge and (only if Scottish assets are included in the Property Portfolio) each Scottish standard security and each Scottish assignation of rents (together, the **Obligor Security Documents**) in favour of the Obligor Security Trustee pursuant to which, among other things, the Obligors will grant security over certain of their assets in favour of the Obligor Security Trustee. For a more detailed description of the Obligor Security, see "*Overview of certain other Obligor Transaction Documents – Obligor Security Documents*".

## D. KEY CHARACTERISTICS OF THE PROPERTY PORTFOLIO

### Properties:

As at the Closing Date, there will be 13 properties (each a **Property**, and together the **Properties** or the **Property Portfolio**), located in five towns and cities in England and Wales. A list of the Properties is set out in Appendix 2 (*The Properties*).

Ten of the Properties are freehold (59.9 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report), one of the Properties is long leasehold (12.6 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report) and two of the Properties are held in part by freehold and in part by way of long leasehold interest (27.4 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report).

As at the Closing Date, each Property is legally and beneficially owned by a Propco as indicated in the table entitled "*Property Portfolio – Overview of the Property Portfolio as at the Closing Date*".

The Properties consist of buildings and adjacent land which have been built or redeveloped for the purposes of providing accommodation to university students and students in higher education (**students**). The Properties have all been built or substantially refurbished since 2000. The Properties have a weighted average age, since construction or last major refurbishment, of over six and a half years.

Each Management Company leases a Property from the relevant Propco pursuant to the Management Company Leases. The Management Companies, in turn, grant short-term tenancies predominantly to students, pursuant to a lease, licence, tenancy or other occupational agreement (the **Direct Occupational Leases**).

Some of the Properties are subject to Rolling Agreements, whereby universities, higher education or other institutions or establishments are entitled to "nominate" a certain number of students to occupy rooms pursuant to a Direct Occupational Lease. The Rolling Agreements in place as at the Closing Date are each only for a term of approximately one year with no renewal obligation.

Part of the Sheffield 3 Property is also subject to commercial lettings (the **Commercial Leases**).

Pursuant to the terms of the Issuer/Borrower Loan Agreement, the Propcos may purchase additional properties in the United Kingdom, the predominant purpose of which is to provide accommodation to students.

### Management:

The Borrower has appointed the Asset Manager to perform asset management functions on its behalf in accordance with the Asset Management Agreement.

The Asset Manager will also enter into a duty of care agreement on the Closing Date with, among others, the Borrower and the Obligor Security Trustee, pursuant to which the Asset Manager will undertake (to each Management Company and each Propco), *inter alia*, to comply in all material respects with its obligations under the Asset Management Agreement (including any duty of care agreement with an asset manager from time to time in an agreed form, the **Asset Manager Duty of Care Agreement**).

Each Management Company has appointed certain of the Facility Managers to perform certain functions on its behalf in accordance with the relevant Facility Management Agreements.

Each Facility Manager will also enter into a duty of care agreement on the Closing Date with, among others, the Management Companies and the Obligor Security Trustee, pursuant to which the relevant Facility Manager will undertake (to the Management Companies) *inter alia*, to comply in all material respects with its obligations under the Facility Management Agreements (including the Facility Manager Duty of Care Agreement) (including any duty of care agreement with a facility manager in agreed form, the **Facility Manager Duty of Care Agreement**).

The Asset Manager Duty of Care Agreement and the Facility Manager Duty of Care Agreements are together the **Duty of Care Agreements**.

Rental income in respect of the Direct Occupational Leases (other than Commercial Leases) in respect of the Properties will be paid initially to client accounts held in the name of the relevant Facility Manager. The relevant Facility Manager holds the rental income relating to the Properties on trust for the relevant Management Company and transfers the amount of cleared funds identified as relating to the Properties (less certain deductions permitted to be made under the terms of each Facility Management Agreement) into the Management Company General Account established by the relevant Management Company in accordance with the Issuer/Borrower Loan Agreement (see the section entitled "*Issuer/Borrower Loan Agreement – Obligor Accounts*" for further details).

Each Management Company General Account is subject to security granted in favour of the Obligor Security Trustee pursuant to the Obligor Security Documents.

**Valuer:**

Each of the Properties has been individually valued by Cushman & Wakefield (the **Valuer**). The Valuer does not have a material interest in the Issuer. The Valuer has been the external valuer to Brookfield Strategic Real Estate Partners since February 2016, providing independent advice in respect of purpose-built student residential accommodation schemes.

The Valuer's advice on student accommodation assets includes valuation and investment transactions for both regular clients and for

one-off advice to a range of clients. The Valuer's student housing valuation team has provided due diligence advice on c.26,000 student residential bedspaces across established university towns/cities together with valuation advice on assets with an aggregate value of over £1.7bn in the last 12 months. In addition, the Valuer's student residential investment arm has completed transactions totalling c.£515m during the period 2015/16, equating to c.17 per cent of UK total transactions during that period. The Valuer's valuation and research teams also publish regular research and commentary on the market.

**Initial Valuation Report:** The market value of the Property Portfolio as determined by the Valuer as at 30 September 2016 is £404,335,000 (as set out in the Initial Valuation Report contained in Appendix 1 (Initial Valuation Report)) (with the market value of the student elements of the Property Portfolio totalling £401,305,000 and the commercial elements totalling £3,030,000).

The market value of the Property Portfolio was determined by the Valuer as at 30 September 2016 and reflects estimated tenancy and occupancy levels of such Properties. The Initial Valuation Report was prepared based on figures provided by the Asset Manager to the Valuer as of 30 September 2016 in respect of the Property Portfolio.

On the basis of the market value for the Property Portfolio, the Loan to Value Ratio of the Initial Issuer/Borrower Loan (expressed as a percentage) will be approximately 53.2 per cent. as at the Closing Date.

Under the terms of the Issuer/Borrower Loan Agreement, the Obligors must provide to the Obligor Security Trustee and certain other Obligor Secured Creditors (among others) (i) a Desktop Valuation within 15 Business Days of each anniversary of the Closing Date and (ii) a Full Valuation within 45 Business Days of each second anniversary of the date of delivery of the most recent Full Valuation (the first such date being the Closing Date).

**Insurance:** In accordance with the terms of the Issuer/Borrower Loan Agreement, the Obligors are required to maintain or ensure or procure that there is effected and maintained insurance in respect of the Properties at all times with a suitable and reputable insurer (the **Insurance Covenant**). As at the date of this Prospectus, such insurance provider in respect of all of the Properties is AXA Insurance UK plc (other than for the Trinity Square Property, in respect of which the insurance is provided by the landlord of such Property pursuant to the Headlease, with such insurers chosen by the landlord from time to time).

**Overview of the Property Portfolio:** For a more detailed description of the Property Portfolio, see the section of this Prospectus entitled "*Property Portfolio*" and the Initial Valuation Report contained in Appendix 1 (Initial Valuation Report).

## OVERVIEW OF THE UNITED KINGDOM STUDENT ACCOMMODATION SECTOR<sup>3</sup>

The market for student accommodation in the United Kingdom is underpinned by strong demand for higher education. There were 1.7m full-time students in 2015/16 and demand for higher education continues to grow with an average growth in applications of 3.6 per cent. per annum over the last ten years. In 2016/2017 there were 183,000 (rounded to the nearest 1,000) more applicants than acceptances.

Despite two tuition fee increases within a time span of just six years, full-time student numbers have not been profoundly affected to date. Students are choosing institutions more carefully in terms of the student experience, so that their time studying is enriching and enjoyable. Crucially, part of the investment in higher education, alongside choosing the best possible university, now seems to extend to choosing a quality residential experience that will support the academic and social experience.

Universities are operating in an increasingly competitive market. With the shift in financial sources towards tuition fee income and away from public funding, student recruitment has become an even more important strategic focus of university activity. With the cessation of student number controls in 2015, there are predicted to be around 100,000 additional university places by 2035.

The UK student accommodation sector is currently undersupplied with universities only providing housing to circa 19 per cent. of the undergraduate population. Current commercial student housing stock can supply circa 12 per cent. of the student population, leaving circa 69 per cent. of the student population to find accommodation through other means. Even with more commercial student housing stock entering the market, the sector will remain undersupplied.

Due to the imbalance between supply and demand, the compound annual growth rate for rents was 6.2 per cent. between 2008 and 2014. Regional markets are expected to continue to lead the sector in the near term (2019) with rental growth of c.3.4 per cent. per annum (vs. c.2.5 per cent per annum in London), stabilising at long-term expected growth rates of c.3 per cent. per annum (rounded to the nearest whole number).

Please refer to the Initial Valuation Report in Appendix 1 (Initial Valuation Report) to this Prospectus for further information.

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<sup>3</sup>

Sources: UCAS; HEFA; PMA UK National Forecast

## PROPERTY PORTFOLIO

*Percentage amounts set out in this section may not add up to 100 per cent. due to rounding.*

### **GENERAL**

As at the Closing Date, there will be 13 Properties in the Property Portfolio, located in five towns and cities throughout England and Wales.

Ten of the Properties are freehold (59.9 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report), one of the Properties is long leasehold (12.6 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report) and two of the Properties are held in part by freehold and in part by way of long leasehold interest (27.4 per cent. of the total value of the Property Portfolio as set out in the Initial Valuation Report).

The Properties consist of buildings and adjacent land which have been built or redeveloped for the purposes of providing accommodation to students. The Properties have all been built or substantially refurbished since 2000. The Properties have a weighted average age, since construction or last major refurbishment, of over six and a half years.

Pursuant to the terms of the Issuer/Borrower Loan Agreement, the Obligors may from time to time acquire additional properties in the United Kingdom which satisfy the Property Portfolio Criteria and the Incoming Property Criteria.

### **OVERVIEW OF THE PROPERTIES**

The majority of the Properties are located in the UK university cities of Leicester, Newcastle, Nottingham and Sheffield, with one asset being located in Wrexham.

As at 30 September 2016, the Property Portfolio is operating at 99.4 per cent. occupancy for the 2016/17 academic year (with an average of 99.1 per cent. for the past two academic years). The Weighted Average Bed Rent is advertised at £122 per week for 2016/17, up from £117 per week for 2015/16 and £109 per week in 2014/15.

The title to each Property is legally and beneficially owned by one of the three Propcos.

The market value of the Property Portfolio, as determined by the Valuer as at 30 September 2016, is £404,335,000 (as set out in the Initial Valuation Report contained in Appendix 1 (Initial Valuation Report)) (with the market value of the student elements of the Property Portfolio totalling £401,305,000 and the commercial elements totalling £3,030,000). On the basis of the Initial Valuation Report, the Loan to Value Ratio of the Initial Issuer/Borrower Loan (expressed as a percentage) will be 53.2 per cent. as at the Closing Date.

The Initial Valuation Report was undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (2014), Global & UK edition (known as the "Red Book") including International Valuation Standards (**IVS**).

The NOI Margin of the Property Portfolio for 2015 was 66.2<sup>4</sup> per cent. (calculated based on the Unaudited *Pro Forma* Financial Information and, for the avoidance of doubt, on the basis that sinking fund contributions have not been taken into account). The Valuer has assumed the NOI margin of the Property Portfolio for 2016/2017 will be 73.7 per cent. (**Valuation NOI Margin**).

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<sup>4</sup> This number is an APM. Please refer to the section entitled "Alternative Performance Measures".



## ***OVERVIEW OF THE PROPERTY PORTFOLIO AS AT THE CLOSING DATE***

### **LOCATION**

The Properties are located in England and Wales and, (excluding Wrexham) are all located in cities which have more than one university, all of which (excluding Sheffield Hallam University and Wrexham Glyndŵr University) are ranked in the top 75 universities (based on the Times/Sunday Times University League Table (Good University Guide) 2017). More than 97 per cent. of the beds in the Property Portfolio are situated in university cities which had in excess of 4.75 applicants per acceptance in 2015/16. 97.3 per cent. of bed spaces in the Property Portfolio are located in cities with at least two universities, including one top 30 ranked institution.

### ***LEICESTER***

There are seven Properties in Leicester, with a total of 1,849 beds (32.5 per cent. of beds in the Property Portfolio). Leicester is home to the University of Leicester (ranked 25<sup>th</sup>) and De Montfort University (ranked 67<sup>th</sup>), which together have a student body of 30,615 students. The student to bed ratio for Leicester is 1.5:1. The applications to acceptance ratio for Leicester is 5.0:1.

### ***NOTTINGHAM***

There are two Properties in Nottingham, with a total of 1,796 beds (31.6 per cent. of beds in the Property Portfolio). Nottingham is home to The University of Nottingham (ranked 20<sup>th</sup>) and Nottingham Trent University (ranked 57<sup>th</sup>), which together have a student body of 50,675 students. The student to bed ratio for Nottingham is 1.8:1. The applications to acceptance ratio for Nottingham is 5.9:1.

### ***SHEFFIELD***

There are two Properties in Sheffield, with a total of 1,512 beds (26.6 per cent. of beds in the Property Portfolio). Sheffield is home to The University of Sheffield (ranked 24<sup>th</sup>) and Sheffield Hallam University (ranked 79<sup>th</sup>), which together have a student body of 48,815 students. The student to bed ratio for Sheffield is 2.0:1. The applications to acceptance ratio for Sheffield is 5.3:1.

### ***NEWCASTLE***

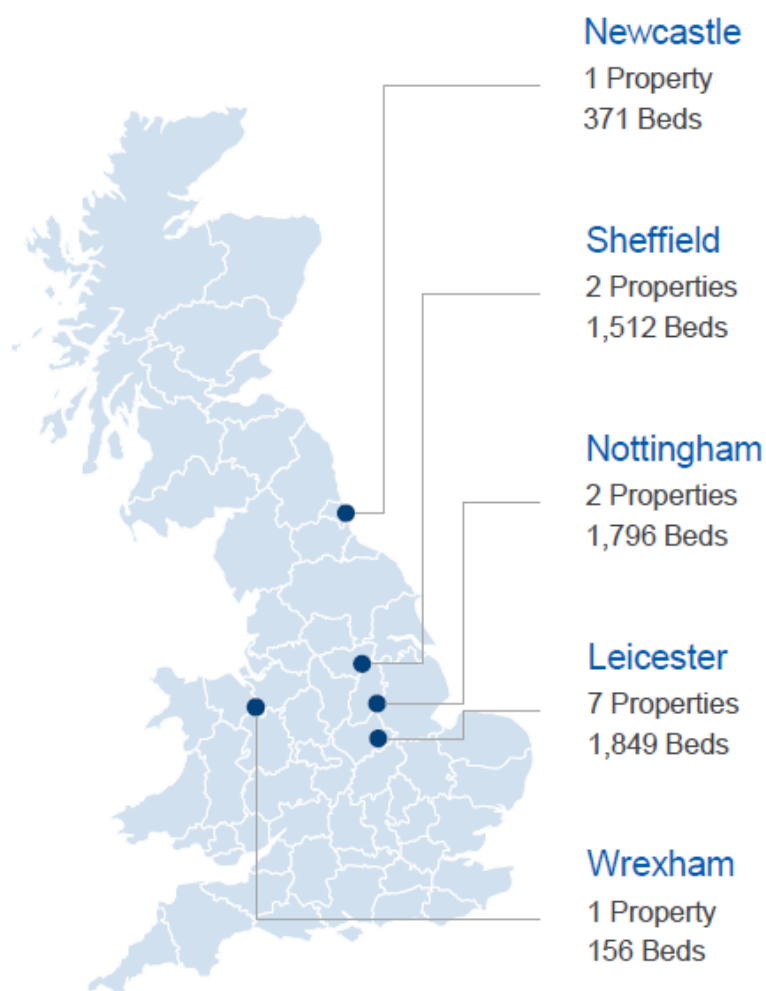
There is one Property in Newcastle, with a total of 371 beds (6.5 per cent. of beds in the Property Portfolio). Newcastle is home to Newcastle University (ranked 22<sup>nd</sup>) and Northumbria University (ranked 65<sup>th</sup>), which together have a student body of 42,570 students. The student to bed ratio for Newcastle is 2.1:1. The applications to acceptance ratio for Newcastle is 5.3:1.

### ***WREXHAM***

There is one Property in Wrexham, with a total of 156 beds (2.7 per cent. of beds in the Property Portfolio). Wrexham is home to Wrexham Glyndŵr University (ranked 125<sup>th</sup>) which has a student body of 3,840 students. The student to bed ratio for Wrexham is 2.1:1. The applications to acceptance ratio for Wrexham is 3.1:1.

All university rankings above are based on the Times/Sunday Times University League Table (Good University Guide) 2017 and all student to bed ratios exclude sandwich students from overseas (i.e. students studying abroad or working in industry for a certain period) and students from the region that are not likely to require accommodation (beds include university and private accommodation).

The map below shows the locations of the Properties:



## KEY CHARACTERISTICS

All information in the following tables is stated as at 30 September 2016 and is derived from the Initial Valuation Report (with the exception of the 2015/2016 occupancy numbers (provided by the Asset Manager), the 2016/2017 occupancy numbers (which are derived from the Initial Valuation Report but are current as at 30 September 2016) and the 2015/2016 Weighted Average Bed Rent numbers which were provided by the Asset Manager). The 2015/2016 and 2016/2017 occupancy numbers, the 2016/2017 adjusted gross rent, the 2015/2016 and 2016/2017 Weighted Average Bed rent per week figures and the 2016/2017 Net Rents figures are all for the relevant academic year.

## GENERAL

Property	Location	Beds	Market Value (£)	2015/16 Occupancy	2016/17 Occupancy	Adj. gross rent 2016/17 (£)	2016/2017 Net Rents (£)	2015/16 Weighted Average Bed Rent per week	2016/17 Weighted Average Bed Rent per week	Legal and beneficial owner
Nottingham 2	Nottingham	1096	84,420,000	100%	100%	6,530,938	5,089,663	120	127	Propco 2
Trinity Square	Nottingham	700	51,145,000	100%	100%	4,208,636	3,168,437	120	128	Propco 2

Property	Location	Beds	Market Value (£)	2015/16 Occupancy	2016/17 Occupancy	Adj. gross rent 2016/17 (£)	2016/2017 Net Rents (£)	2015/16 Weighted Average Bed Rent per week	2016/17 Weighted Average Bed Rent per week	Legal and beneficial owner
Sheffield 2	Sheffield	520	29,225,000	100%	100%	2,591,135	1,734,208	101	105	Propco 1
Sheffield 3	Sheffield	992	69,420,000 <sup>5</sup>	100%	100%	5,452,864	3,936,686	114	118	Propco 1
Snowdon Hall	Wrexham	156	2,355,000	100%	100%	465,492	181,711	66	66	Propco 1
The Summit	Leicester	369	30,840,000	100%	100%	2,500,036	1,902,086	130	137	Propco 3
Regents Court	Leicester	182	8,255,000	100%	100%	828,062	583,813	86	90	Propco 1
Queens Court	Leicester	143	6,145,000	100%	100%	623,035	433,148	82	86	Propco 3
Upperton Road	Leicester	536	41,400,000	100%	100%	3,287,846	2,375,710	130	126	Propco 2
Eastern Boulevard	Leicester	80	6,190,000	100%	100%	496,634	359,658	131	127	Propco 2
Newarke Street	Leicester	284	21,480,000	100%	100%	1,813,253	1,317,698	123	129	Propco 1
Brookland Road	Leicester	255	20,245,000	100%	100%	1,601,579	1,232,232	122	127	Propco 3
Newcastle 1	Newcastle	371	33,215,000	80%	91%	2,769,947	2,127,768	142	152	Propco 1
		<b>5,684</b>	<b>404,335,000</b>	<b>98.7%</b>	<b>99.4%</b>	<b>33,169,457</b>	<b>24,442,818</b>	<b>117</b>	<b>122</b>	

#### PROPERTIES GROUPED BY TYPE

	Number of properties	Market value (£m)	% of Property Portfolio market value	2016/2017 Net Rents (£m)	% of Property Portfolio Net Rents <sup>6</sup>	Number of beds	% of Property Portfolio beds
<b>Properties grouped by city</b>							
Nottingham	2	135.6	33.5%	8.3	33.8%	1,796	31.6%
Sheffield	2	98.6	24.4%	5.7	23.2%	1,512	26.6%
Leicester	7	134.6	33.3%	8.2	33.6%	1,849	32.5%
Newcastle	1	33.2	8.2%	2.1	8.7%	371	6.5%
Wrexham	1	2.4	0.6%	0.2	0.7%	156	2.7%
	<b>13</b>	<b>404.3</b>	<b>100%</b>	<b>24.4</b>	<b>100%</b>	<b>5,684</b>	<b>100%</b>
<b>Properties grouped by tenure</b>							
Freehold .....	10	242.4	59.9%	15.0	61.2%	3,456	60.8%
Freehold/leasehold .....	2	110.8	27.4%	6.3	25.8%	1,528	26.9%
Leasehold .....	1	51.1	12.6%	3.2	13.0%	700	12.3%
	<b>13</b>	<b>404.3</b>	<b>100%</b>	<b>24.4</b>	<b>100%</b>	<b>5,684</b>	<b>100%</b>
<b>Properties grouped by year of completion or major refurbishment</b>							
2000	1	2.4	0.6%	0.2	0.7%	156	2.7%
2004	1	8.3	2.0%	0.6	2.4%	182	3.2%
2007	1	6.1	1.5%	0.4	1.8%	143	2.5%
2008	1	51.1	12.6%	3.2	13.0%	700	12.3%
2009	1	69.4	17.2%	3.9	16.1%	992	17.5%
2010	2	35.4	8.8%	2.1	8.6%	600	10.6%
2011	1	84.4	20.9%	5.1	20.8%	1,096	19.3%
2012	1	30.8	7.6%	1.9	7.8%	369	6.5%
2014	3	83.1	20.6%	4.9	20.2%	1,075	18.9%
2015	1	33.2	8.2%	2.1	8.7%	371	6.5%
	<b>13</b>	<b>404.3</b>	<b>100%</b>	<b>24.4</b>	<b>100.0%</b>	<b>5,684</b>	<b>100%</b>

#### OTHER POINTS IN RELATION TO THE PROPERTIES

Each Property is subject to a management lease, the landlord's interest in which is currently held by the relevant Propco that owns the Property (each such lease, a **Management Company Lease**) and the tenant's interest in which is held by the relevant Management Company.

<sup>5</sup> £3,030,000 of which is attributable to the commercial elements of the Property

<sup>6</sup> This NOI number is derived from the valuation and is not a number derived from the financial statements of the Obligors.

The Management Companies, in turn, grant tenancies of up to 51 weeks to students pursuant to the Direct Occupational Leases. For the 2016/17 academic year, 10.5 per cent. of beds are subject, fully or partly, to Rolling Agreements (which have annual agreements for one year with a guarantee).

A part of the Sheffield 3 Property is subject to a commercial lease in favour of the University of Sheffield which generates, in aggregate, gross rental income of £365,000 per annum. The lease is for a term of ten years, commencing on 2 November 2009. Refer to section 1.2.6 (Commercial Accommodation) of the Initial Valuation Report for further details.

Student and commercial lettings generate further sundry income from laundry, car parking and vending machine services. Each Management Company Lease is on similar terms for each site. Pursuant to the terms of the Management Company Leases, the relevant Management Company is responsible for keeping each Property for which it is a tenant under the Management Company Lease in good and substantial repair and condition (this obligation includes, if applicable, the obligation to renew and rebuild). Each Management Company is also obliged to decorate the interior and exterior aspects of the Properties at specified periods. If the relevant Management Company does not comply with its repair obligations, the Propcos as landlords are entitled to enter the relevant Property and carry out any uncompleted works and to do what is necessary to remedy the relevant Management Company's default under the Management Company Leases.

The rent payable under each Management Company Lease relates to a percentage of the net income which is the "tenant income" minus the "tenant's operating costs". The tenant income is the income that the Management Company receives from providing services in respect of the occupancy of the student parts and commercial parts (if any) throughout the year and (where applicable) providing services in respect of the student parts during any summer let period (if any) (the **Tenant Summer Income**).

Each Management Company will pay 97 per cent. of the 'net income' to the relevant Propco as principal rent under the relevant Management Company Lease (see "*Issuer/Borrower Loan Agreement-Management Company General Accounts*" for further details).

The composition of the pro forma operating costs, (presented in Note 3 to the Unaudited *Pro Forma* Financial Information for the year ended 31 December 2015) was as follows: (a) management fees and facility management services, 29.6 per cent.; (b) utilities, 27.8 per cent.; (c) marketing and advertisement, 9.0 per cent.; (d) repairs and maintenance, 11.9 per cent.; and (e) staff costs 21.7 per cent.

## **ROOM TYPES**

The Property Portfolio offers a wide range of room types, catering for a broad spectrum of pricing points. The majority of bed spaces within the Property Portfolio are en-suite or studios which vary in both size and specification. On average, there is an approximately £64 per week price range between the cheapest and most expensive offering in each university town or city.

## **MANAGEMENT COMPANY EMPLOYEES**

Each Management Company has a number of employees. These employees, with the assistance of Derwent, focus on providing certain services to students and the general maintenance of the Properties.

## ***MANAGEMENT OF THE PROPERTIES***

### **ASSET MANAGEMENT**

GL Europe Portfolio Advisor Limited is the Asset Manager for the Properties as at the date of this Prospectus. The Borrower has the option to replace GL Europe Portfolio Advisor Limited with PBSA Portfolio Advisor Limited within three months of the Closing Date, and subject to PBSA Portfolio Advisor Limited being appointed on the same terms as GL Europe Portfolio Advisor Limited is appointed.

Pursuant to the Asset Management Agreement, the Asset Manager will advise the Borrower on the expansion of the portfolio of properties ultimately owned by the Borrower and perform other services set out in the Asset Management Agreement, including, but not limited to, the following:

1. assisting the Borrower in identifying the availability for purchase of properties (either directly or through a subsidiary) and advising on the acquisition process;
2. advising on the formulation of the property strategy and the portfolio strategy and on the preparation, revision and implementation of the Borrower's business plan;
3. advising each property owner of actions required to be taken by the relevant property owner (or any third party as the case may be) in accordance with such property owner's (or relevant third party's) obligations;
4. ascertaining and verifying the amounts of all rents and (if any) charges, fees and other sums due from occupational tenants, licensees and others and doing all things necessary and in accordance with best practice to collect all rents and other funds payable under the leases or any other agreements relating to each property in a timely manner having regard to when such sums are due and ensuring the same are placed into the relevant accounts as required by the Borrower; and
5. conducting general property administration, submissions for applications for consent, and negotiating on behalf of the Borrower and/or its subsidiaries terms and variations of procurement, and briefing and ensuring proper management of managing agents, lawyers (in respect of all property-related matters), consultants, suppliers, etc.

The Asset Manager will be reimbursed by the Borrower for certain costs and will receive certain fees for the provision of asset management services.

If the nature and scope of the services is materially altered in accordance with the relevant property owner's requirements, the Borrower and the Asset Manager shall agree a fair and reasonable adjustment to the fee to reflect any substantial increase or decrease in the work required of the Asset Manager resulting from the alteration.

The Borrower may at any time terminate the Asset Management Agreement in respect of any Property by notice to the Asset Manager:

- (a) on not less than one month's notice;
- (b) if the Asset Manager is in breach of its obligations under the Asset Management Agreement; or
- (c) following the occurrence of certain insolvency events specified in the Asset Management Agreement.

In addition, the Asset Management Agreement will terminate immediately in respect of a property on notice from the Borrower upon:

- (a) the disposal of the whole of the relevant property;
- (b) the disposal of all of the shares or units (or equivalent) in a relevant property owner; or
- (c) the entry into an agreement to effect any of those in each case at arm's length.

The Asset Management Agreement (and any dispute arising out of or relating to it or its formation) shall be governed by and construed in accordance with English law.

The Asset Manager will also provide asset management services to parties that are not Obligors in respect of properties that do not form part of the Property Portfolio.

## **FACILITY MANAGEMENT**

Staffing and other services in respect of the Properties is, as at the date of this Prospectus, provided in accordance with the facilities management agreements with Derwent Facilities Management Limited (**Derwent**) and Student Union Lettings Limited (**Sulets**).

The Asset Manager expects that, after the Closing Date, it may take over the provision of certain of the services currently provided, in particular letting (other than in respect of the Leicester Properties which it is envisaged will continue to be undertaken by Sulets), sales/marketing and human resource management activities, with any other services currently being provided by Derwent continuing to be provided by it, or by another adequately experienced service provider.

### ***Facility Management Agreements***

The Management Companies and the Propcos have no executive management resources of their own. Instead, the Management Companies have appointed service providers for asset servicing, general upkeep, day-to-day operations and executive and administrative functions. As at the date of this Prospectus (and subject to the Asset Manager assuming any such roles at a later date, as described in the above paragraph), Derwent provides these services in respect of all the Properties save for marketing and lettings (and associated services) in the case of all Leicester Properties which are provided by Sulets under an exclusive arrangement. Sulets is a prominent letting agent in Leicester due to it being jointly owned and run by the Students' Unions of De Montfort University and Leicester University.

#### ***Derwent***

Under the relevant Facility Management Agreement, Derwent and the employees of the relevant Management Company (under the supervision and control of Derwent) is responsible for providing, *inter alia*:

- (a) pastoral care services;
- (b) marketing;
- (c) rent collection and processing;
- (d) preparation of management accounts and reports;
- (e) human resource management;

- (f) liaison and monitoring services;
- (g) administration of the tenancies;
- (h) providing an online tenant's handbook;
- (i) providing and maintaining a health and safety policy;
- (j) providing services relating to the operation of accounts;
- (k) customer satisfaction;
- (l) a 24/7 helpdesk;
- (m) fault reporting;
- (n) dealing with incidents; and
- (o) the purchase and use of the products and equipment required for the provision of the facilities management services,

at each of the Properties.

The Derwent Facility Management Agreement was entered into on 27 September 2016 for a term of one year, after which the parties may by mutual agreement extend the contract period. From 1 September 2017, either Derwent or the relevant Management Company may voluntarily terminate the Derwent Facility Management Agreement on at least three months' notice.

Furthermore, the Derwent Facility Management Agreement may be terminated by Derwent on one month's notice where the relevant Management Company is in default of its obligations under the Derwent Facility Management Agreement and such default remains unremedied. In addition, the Derwent Facility Management Agreement may be terminated by the relevant Management Company in respect of one or more relevant Properties where: (i) one of the Properties has been disposed of; (ii) a force majeure event persists in relation to Derwent for a period of more than 30 days; or (iii) Derwent is in breach of its obligations under the Derwent Facility Management Agreement.

Derwent will be reimbursed by the Borrower for certain costs and will receive certain fees for the provision of facility management services.

#### *Sulets*

Under the relevant Facility Management Agreement, Sulets is responsible for, *inter alia*:

- (a) marketing;
- (b) rent collection and processing;
- (c) rent reconciliation and reporting;
- (d) administration of the tenancies; and
- (e) liaising with the universities over marketing and letting arrangements,

at each of the Leicester Properties.

The Sulets Facility Management Agreement was entered into on 25 November 2016 for a term of seven years, after which it extends automatically for further terms of one year each unless terminated at the end of such one year term by either party. The Sulets Facility Management Agreement may be terminated at any time by mutual agreement of the relevant Management Company and Sulets and by either party upon the occurrence of certain insolvency/liquidation events.

Furthermore, the Sulets Facility Management Agreement may be terminated if either party is in material breach of the Sulets Facility Management Agreement and such breach is not remedied within a period of 14 days from the date such breaching party was given notice of such breach.

Sulets will be reimbursed by the Borrower for certain costs and will receive certain fees for the provision of facility management services.

### *General*

Upon the occurrence of an Obligor Event of Default, the Facility Manager Duty of Care Agreements do not give the Obligor Security Trustee the ability to terminate the Sulets Facility Management Agreement or the Derwent Facility Management Agreement.

### ***RENT COLLECTION AND CASHFLOW ARRANGEMENTS IN RESPECT OF THE PROPERTIES***

Rent from students in relation to the Properties is collected into the relevant Facility Manager Client Accounts (in the Sulets Facility Manager Client Account in relation to the Leicester Properties and in the Derwent Client Accounts in relation to all of the other Properties).

A trust will be declared over each Facility Manager Client Account in favour of each Management Company in relation to those amounts attributable to the Rental Income relating to the Properties.

Such rental income is paid across to the relevant Management Company for each Property. See the section entitled "*Facility Manager Client Accounts*" within the section entitled "*Issuer/Borrower Loan Agreement*" for details as to the timing of this and the deductions from rental income that Derwent and Sulets are permitted to make prior to transferring funds to the Management Companies.

Generally:

- (a) Derwent is under an obligation to make payments of any rent and/or deposits collected in its Facility Manager Client Account to the relevant Management Company General Account at least once a month (subject to a retention of £50,000 per month per Property to cover certain Adjusted Approved Operating Costs) pursuant to the relevant Facility Management Agreements; and
- (b) Sulets is under an obligation to make payments of any rent and/or deposits collected in its Facility Manager Client Account to the relevant Management Company General Account within 14 days of receiving such cleared funds in its Facility Manager Client Account (provided that no transfer will be made if the balance of such Facility Manager Client Account is less than £5,000) and subject to a retention to cover certain Adjusted Approved Operating Costs, pursuant to the relevant Facility Management Agreements.

Rent from commercial lettings is collected by the relevant Management Companies.



The Management Companies make certain payments from such rental income. See the sections entitled "*Management Company General Accounts*" and "*Operating Income Accounts*" within the section entitled "*Issuer/Borrower Loan Agreement*" for further details. The Management Companies also utilise such rental income to make payments to the Propcos under the Management Company Leases. See the section entitled "*Operating Income Accounts*" for further details.

The rent payments received by the Propcos under the Management Company Leases are applied in accordance with the Borrower Payment Priorities (and ultimately used to make payments of interest under the Issuer/Borrower Loan). See the section entitled "*Rent Accounts*" within the section entitled "*Issuer/Borrower Loan Agreement*" for further details.

### ***CASHFLOWS AND NET INCOME***

A table setting out the estimated net income anticipated by the Valuer as at the date of the market valuations of the Property Portfolio (being 30 September 2016) is set out on page 36 of the Initial Valuation Report contained in Appendix 1 Initial Valuation Report), for each of the Properties included in the Property Portfolio. The Valuer has advised that the estimated net income has been arrived at for the individual properties based upon the existing rents passing, together with a number of assumptions and variables (having regard to the short-term nature of the majority of the student accommodation income), including anticipated rental levels for the next academic year, future rental growth rates for the particular schemes in the particular towns, any income from ancillary sources, operating costs and again their associated future growth rates, occupancy and terms of lettings. The estimated net income is an input into the valuation of the Valuer set out in the Initial Valuation Report (see Appendix 1 (Initial Valuation Report)).

## **OVERVIEW OF THE ISSUER/BORROWER LOAN AGREEMENT, THE MEZZANINE LOAN NOTE AGREEMENT AND THE INTERCREDITOR AGREEMENT**

*The following is intended only to be an overview of certain provisions of the Issuer/Borrower Loan, the Mezzanine Loan Note Agreement and the Intercreditor Agreement.*

### **GENERAL OVERVIEW**

The Issuer will advance the Initial Issuer/Borrower Loan to the Borrower pursuant to the Issuer/Borrower Loan Agreement. Following the Closing Date, and subject to certain conditions being met (see the definition of "Permitted Financial Indebtedness"), the Issuer may advance further Issuer/Borrower Loans to the Borrower pursuant to the Issuer/Borrower Loan Agreement. Such further Issuer/Borrower Loans will rank *pari passu* with the Initial Issuer/Borrower Loan.

The Mezzanine Issuer subscribes for the Mezzanine Loan Note from the Mezzanine Loan Note Issuer pursuant to the Mezzanine Loan Note Agreement. Following the Closing Date, and subject to certain conditions being met, the Mezzanine Issuer may issue further Mezzanine Loan Notes to the Mezzanine Loan Note Issuer pursuant to the Mezzanine Loan Note Agreement.

The Issuer and the Mezzanine Loan Noteholders benefit from a common security package granted by the Obligors under the Obligor Deed of Charge and other Obligor Security Documents.

The Issuer and the Mezzanine Loan Noteholders are both party to and are bound by the Intercreditor Agreement. The Intercreditor Agreement regulates among other things (i) the claims of the Obligor Secured Creditors, (ii) the exercise and enforcement of rights by the Obligor Secured Creditors and (iii) the giving of instructions, consents, amendments and waivers under and connection with the Obligor Secured Debt Documents.

All agreements listed below and non-contractual obligations arising out of or in connection with them are governed by English law (other than the documents constituting security over the Obligors' Luxembourg assets, as detailed under "*Overview of certain other Obligor Transaction Documents – Obligor Security Documents – Mezzanine Only Security*", which are governed by Luxembourg law) and subject to the exclusive jurisdiction of the English courts.

### **A. ISSUER/BORROWER LOAN AGREEMENT**

#### ***GENERAL***

The Issuer/Borrower Loan Agreement between the Borrower, the Obligor Holdcos, the Borrower Holdco, the Propcos, the Management Companies, the Issuer, the Obligor Security Trustee, and the Issuer Security Trustee will be entered into on or around the Closing Date and will be governed by English law.

The Issuer/Borrower Loans will, when advanced, constitute full recourse obligations of the Borrower. The obligations of the Borrower under the Issuer/Borrower Loan Agreement will be guaranteed on a joint and several basis by each other Obligor under the Obligor Guarantees. The obligations of the Borrower under the Issuer/Borrower Loan Agreement and the other Obligors in respect thereof under the Obligor Guarantees will be secured by the Obligor Security.

The Issuer will advance to the Borrower the Initial Issuer/Borrower Loan in an amount equal to £215,000,000 on the Closing Date. The Issuer may advance additional Issuer/Borrower Loans to the Borrower to the extent such Issuer/Borrower Loans would constitute Permitted Financial Indebtedness.

To the extent that any reference is made to the Issuer giving consent, making calculations or exercising any other discretion under the Issuer/Borrower Loan Agreement, that consent or other discretion will be exercised by the Servicer (or Special Servicer as the case may be) in accordance with the terms of the Servicing Agreement.

An overview of the principal terms of the Issuer/Borrower Loan Agreement is set out below.

## **DEFINITIONS**

**Accession Memorandum** means an accession memorandum substantially in the form set out in the Issuer/Borrower Loan Agreement.

**Actual NOI** means, in respect of any Test Period, the amount determined on the basis of the Management Report relating to such Test Period, subject to the section entitled '*Compliance Certificate*' below, which is equal to the consolidated gross cash inflow (excluding Disposal Proceeds, Insurance Proceeds, Recovery Proceeds, Excluded Recovery Proceeds, Lease Proceeds and Compensation Proceeds) from owning and operating activities of the Obligors in respect of the Properties (including, without limitation, Rental Income, any payments received by any Obligor under any Rolling Agreement and any contribution to a sinking fund paid by a tenant of a Property or pursuant to a Rolling Agreement) less (without double counting)

- (a) Operating Costs (excluding recoverable VAT);
- (b) Maintenance Capex;
- (c) Enhancement Capex (only to the extent funded by gross cash inflow and not funded by Subordinated Debt or equity contribution);
- (d) any costs of rectifying or reinstating a Property where such rectification or reinstatement is not covered by Insurance Proceeds;
- (e) any costs associated with the realisation of any proceeds of a compulsory purchase of a Property;
- (f) any fees, costs and expenses payable to any Property Adviser;
- (g) any Net Sinking Fund Amount; and
- (h) for the purposes of the calculation of Historical NOI ICR on the first Test Date only under the Issuer/Borrower Loan Agreement, the amount credited to the Seasonality Ledger at the relevant time.

**Actual Finance Costs** means, in respect of any Test Period, the aggregate of all interest on the Notes and Senior Expenses which have been paid or are payable by the Obligors to the Obligor Secured Creditors (other than the Mezzanine Finance Parties) under the Obligor Transaction Documents during that Test Period.

**Adjusted Approved Capital Expenditure Amount** means, in respect of any quarter, the aggregate of:

- (a) an amount equal to the Approved Capital Expenditure Amount due in the relevant quarter;
- (b) an amount equal to any Approved Capital Expenditure Amount reserved in relation to Maintenance Capex incurred in previous quarters but not yet paid; and

- (c) any amounts in excess of the Approved Capital Expenditure Amount that the relevant Management Company considers necessary to pay additional Capex (other than Enhancement Capex – see the section entitled "*Development, alterations and Enhancement Capex*" for further details) and determined in accordance with Good Industry Practice (as approved in writing by the Issuer).

**Adjusted Approved Operating Costs** means, in respect of any quarter, the aggregate of:

- (a) an amount equal to the Approved Operating Costs due in the relevant quarter;
- (b) an amount equal to any Approved Operating Costs reserved in relation to Operating Costs incurred in previous quarters but not yet paid;
- (c) any amounts in excess of the Approved Operating Costs in respect of that quarter which the Management Company considers necessary to pay additional Operating Costs and determined in accordance with Good Industry Practice, in an amount up to 10 per cent. of the Approved Operating Costs in respect of that quarter; and
- (d) any further amounts to those set out in paragraph (c) above which the Management Company considers necessary to pay additional Operating Costs and determined in accordance with Good Industry Practice and as approved in writing by the Issuer.

**Affiliate** means a subsidiary or a holding company of a person or any other subsidiary of that holding company.

**Agreement for Lease** means any agreement by an Obligor to grant an Occupational Lease, Management Company Lease or Institutional Lease for all or part of a Property.

**Allocated Debt Amount** means, in respect of a Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property), the amount determined by multiplying the Allocated Debt Percentage applicable to that Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property) by the aggregate outstanding amount of all Senior Debt.

**Allocated Debt Percentage** means, in respect of a Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property), the open market value of that Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property) expressed as a percentage of the aggregate open market values of all the Properties (in each case, based on the most recent Valuation for each Property).

**Annual Budget** means in respect of each year beginning with (and including) October in each year and ending on (but excluding) October of the next year, the Obligor's income and costs budget and business plan (with full supporting material and calculations) (and with the projections broken down on a monthly basis) for the forthcoming year, such budget to include, without limitation, (i) expected occupancy, (ii) rent levels, (iii) operating income in respect of the Properties and (iv) Projected NOI (broken down on a monthly basis).

**Annual Budgeted Rent** means the total rent budgeted to be due to the Propcos for the year beginning with (and including) October in each year and ending on (but excluding) October of the next year. Such Annual Budgeted Rent shall be deemed to be approved to the extent it is prepared in line with Good Industry Practice.

**Approved Capital Expenditure Amount** means the aggregate amounts projected to be withdrawn from the Sinking Fund Accounts for each quarter by or on behalf of any Obligor (other than the

Borrower) in respect of Maintenance Capex to be funded from amounts standing to the credit of the Sinking Fund Accounts as set out in the Management Report most recently delivered under the Issuer/Borrower Loan Agreement and determined in accordance with Good Industry Practice.

**Approved Operating Costs** means, in respect of any quarter, the projected Operating Costs for that quarter identified in the Management Report most recently delivered under the Issuer/Borrower Loan Agreement and, in each case, determined in accordance with Good Industry Practice.

**Asset Management Agreement** means

- (a) the asset management agreement dated 13 January 2017 between the Initial Asset Manager and the Obligors party to it and delivered to the Issuer; or
- (b) any other asset management agreement entered into in accordance with the provisions of the Issuer/Borrower Loan Agreement.

**Assignment Agreement** means an agreement substantially in the form set out in the Issuer/Borrower Loan Agreement or any other form agreed between the relevant assignor and assignee.

**Associated Prepayment Costs** means, in connection with a prepayment of the Issuer/Borrower Loans made or to be made under paragraph (c) under the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*" or paragraphs 1(g) or 2(d) under the section entitled "*Mandatory prepayments*", an amount equal to the aggregate amount that is required in order to discharge in full on the date of the relevant prepayment:

- (a) the Ongoing Issuer/Borrower Facility Fee in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement); and
- (b) all other accrued interest, Repayment Costs and associated costs to be paid by the Borrower under the Issuer/Borrower Loan Agreement in connection with that prepayment.

**Authorisation** means an authorisation, consent, approval, resolution, permit, licence, exemption, filing, notarisation or registration.

**Average Budgeted Rent** means the Annual Budgeted Rent divided by 12.

**Borrower Hedge Collateral Account** means each hedge collateral account established as and when required by the Borrower in accordance with the Issuer/Borrower Loan Agreement and includes any replacement of each such account.

**Break Costs** means, in respect of a principal repayment or prepayment which is made under the Issuer/Borrower Loan Agreement on any day (other than any amount paid on a Loan Interest Payment Date), the amount (certified to the Borrower by the Issuer Cash Manager on behalf of the Issuer no later than the fourth Business Day prior to the relevant date for repayment or prepayment (such date for repayment or prepayment to be advised by the Borrower to the Issuer and the Issuer Cash Manager at least five Business Days before such date)) by which:

- (a) the interest which the Issuer would have received for the period from (and including) the date of receipt of the principal amount prepaid to the last day of the applicable Loan Interest Period if the amount prepaid had instead been paid on the last day of that Loan Interest Period, exceeds

- (b) the amount which the Issuer expects to receive by placing an amount equal to the amount prepaid on the Issuer Transaction Account for a period starting on the Business Day following receipt and ending on the last day of the applicable Loan Interest Period (or if a prepayment is made as described in paragraph (e) of the section entitled “*Other mandatory prepayments – miscellaneous*”, such period will end on the last day of the immediately subsequent Loan Interest Period).

**Broker's Letter of Undertaking** means:

- (a) the broker's letter of undertaking prepared by Lockton Companies LLP in respect of the Obligors' insurance arrangements (and in relation to which the Issuer has reliance); and
- (b) any other insurance broker's letter of undertaking approved by the Issuer and delivered to the Issuer (and in relation to which the Issuer has reliance).

**Brookfield Group** means Brookfield Asset Management, Inc. and all of its Subsidiaries;

**Business Day** means a day on which banks are generally open for business in London, Luxembourg and the Cayman Islands.

**Capex** means Enhancement Capex plus Maintenance Capex.

**Compensation Prepayment Proceeds** means Compensation Proceeds received by the Obligors in respect of a single Property (or part thereof) which are in excess of £1,000,000, in an amount equal to:

- (a) if such Compensation Proceeds exceed the aggregate of the Senior Required Redemption Amount and the Mezzanine Required Redemption Amount, each for the relevant Property (or part thereof), an amount equal to the aggregate of the Senior Required Redemption Amount and the Mezzanine Required Redemption Amount;
- (b) if such Compensation Proceeds are less than the aggregate of the Senior Required Redemption Amount and the Mezzanine Required Redemption Amount, but exceed an amount equal to the Allocated Debt Amount and the Mezzanine Allocated Debt Amount, each for the relevant Property (or part thereof), the amount of such Compensation Proceeds; and
- (c) if such Compensation Proceeds are less than the aggregate of the Allocated Debt Amount and the Mezzanine Allocated Debt Amount, each for the relevant Property (or part thereof), an amount equal to the aggregate of the Allocated Debt Amount and the Mezzanine Allocated Debt Amount, each for that Property (or part thereof).

**Compensation Proceeds** means the proceeds of all compensation and damages for the compulsory purchase of, or any blight or disturbance affecting, any Property.

**Compliance Certificate** means a compliance certificate substantially in the form set out in the Issuer/Borrower Loan Agreement.

**CTA** means the Corporation Tax Act 2009.

**Derwent Client Accounts** means the Facility Manager Client Accounts held by Derwent.

**Determination Date** means the sixth Business Day prior to each Note Interest Payment Date.

**Direct Occupational Lease** means any lease, licence, tenancy or other occupational arrangement pursuant to which students enjoy temporary occupation or possession of the whole or any part of a Property for residential purposes, provided that none of the foregoing enjoys security of tenure beyond the agreed contractual term in relation thereto.

**Disposal Proceeds** means the gross proceeds derived from the disposal of a Property or the shares in an Obligor in accordance with the terms of the Issuer/Borrower Loan Agreement.

**Disruption Event** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Issuer/Borrower Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that, or any other party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

**Distribution Date** means the Business Day falling three Business Days prior to a Loan Interest Payment Date.

**Enhancement Capex** means capital expenditure relating to the Properties other than Maintenance Capex and Approved Capital Expenditure Amounts.

**Environmental Claim** means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

**Environmental Law** means any applicable law or regulation which relates to:

- (a) the pollution or protection of the environment;
- (b) harm to or the protection of human health or the health of animals or plants;
- (c) the conditions of the workplace; or
- (d) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the environment, including, without limitation, any waste.

**Environmental Permits** means any permit and other Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of any Obligor conducted on or from the properties owned or used by any Obligor.

**Environmental Reports** means:

- (a) each environmental report prepared by Delta-Simons Environmental Consultants Limited in respect of the Properties (and in relation to which the Issuer has reliance); and
- (b) any other environmental report approved by the Issuer and delivered to the Issuer (and in relation to which the Issuer has reliance).

**Excluded Insurance Proceeds** means any proceeds from an insurance claim which the Borrower notifies the Issuer are, or are to be, applied:

- (a) to satisfy (or reimburse an Obligor which has discharged) any liability, charge or claim upon an Obligor by a person which is not an Obligor or an affiliate of an Obligor; or
- (b) in the replacement, re-instatement and/or repair of assets of an Obligor which have been lost, destroyed or damaged,

in each case as a result of the events or circumstances giving rise to that insurance claim if those proceeds are so applied as soon as possible (but in any event within three years after receipt, provided that in the case of a reinstatement, (i) a detailed plan for re-instatement has been provided within one year and (ii) any reinstatement will be completed one month prior to the beginning of the academic year in which the loss of rent insurance has been exhausted (each an **Insurance Reinstatement Condition**)).

**Excluded Recovery Proceeds** means any proceeds of a Recovery Claim which the Borrower notifies the Issuer are, or are to be, applied:

- (a) to satisfy (or reimburse an Obligor which has discharged) any liability, charge or claim upon an Obligor by a person which is not an Obligor or an affiliate of an Obligor; or
- (b) in the replacement, reinstatement and/or repair of assets of an Obligor which have been lost, destroyed or damaged,

in each case as a result of the events or circumstances giving rise to that Recovery Claim, if those proceeds are so applied as soon as possible (but in any event within 90 days, or such longer period as the Issuer may agree) after receipt.

**Facility** means the term loan facility made available under the Issuer/Borrower Loan Agreement.

**Facility Management Agreement** means:

- (a) the facility management agreement dated 25 November 2016 between Sulets and the Obligors party to it and delivered to the Issuer;
- (b) the facility management agreement dated 27 September 2016 between Derwent and the Obligors party to it and delivered to the Issuer; and
- (c) any other facility management agreement entered into in accordance with the terms of the Issuer/Borrower Loan Agreement.

**Facility Manager** means Derwent, Sulets and/or any other facility manager appointed by an Obligor in respect of a Property in accordance with the terms of the Issuer/Borrower Loan Agreement.

**Facility Manager Client Account** means a rent account maintained by each Facility Manager.



**Facility Manager Client Account Declaration of Trust** means:

- (a) the declaration of trust relating to the Derwent Client Account entered into on or about the Closing Date between Derwent, the Management Companies and the Obligor Security Trustee;
- (b) the declaration of trust relating to the Sulets Client Account entered into on or about the Closing Date between Sulets, certain Management Companies and the Obligor Security Trustee; or
- (c) any other facility manager client account declaration of trust entered into in accordance with the terms of the Issuer/Borrower Loan Agreement, in a form agreed between the Borrower and the Issuer.

**Finance Document** means:

- (a) the Issuer/Borrower Loan Agreement;
- (b) any Issuer/Borrower Loan Tranche Supplement;
- (c) the Intercreditor Agreement;
- (d) any Obligor Security Document;
- (e) any Obligor Fee Letter;
- (f) any Duty of Care Agreement;
- (g) any Hedging Agreement;
- (h) any Accession Memorandum;
- (i) any Secession Memorandum;
- (j) any accession documentation referred to in the Intercreditor Agreement;
- (k) any Hedge Counterparty accession documentation;
- (l) any Transfer Certificate;
- (m) any Assignment Agreement;
- (n) any Report Recoveries Side Letter; or
- (o) any other document designated as such by the Issuer and the Borrower.

**Finance Party** means the Issuer, the Obligor Security Trustee or a Hedge Counterparty.

**Financial Covenant Default** means an Obligor Event of Default under paragraph 2 of the section entitled “*Events of Default*” below.

**Financial Indebtedness** means any indebtedness for or in respect of:

- (a) monies borrowed;

- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) any redeemable preference share;
- (e) the amount of any liability in respect of any lease or hire purchase contract or other agreement which would, in accordance with generally accepted accounting principles applicable to the relevant Obligor, be treated as a finance or capital lease;
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close out of that derivative transaction, that amount) shall be taken into account);
- (i) any amount of any liability under an advance or deferred purchase agreement if the entry into the agreement is primarily a method of raising finance;
- (j) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (k) any agreement or option to re-acquire an asset if the entry into the agreement or option is primarily a method of raising finance; and
- (l) (without double counting) the amount of any liability in respect of any guarantee or indemnity or similar assurance against financial loss of any person in respect of paragraphs (a) to (k) above.

**Fixed Rate Notes** means any Notes which accrue interest at a fixed rate.

**Floating Rate Loan** means an Issuer/Borrower Loan which accrues interest at a floating rate based on a specified screen rate and (if applicable) margin.

**Further Closing Date** means each date upon which Further Notes, Replacement Notes or New Notes are issued in accordance with Condition 18 (Further Notes, Replacement Notes and New Notes) of the Initial Notes and, as the context so requires, the corresponding provision of any Further Notes, Replacement Notes or New Notes.

**GAAP** means generally accepted accounting principles in England (in the case of the Obligors domiciled in the United Kingdom) and Luxembourg (in the case of the Obligors domiciled in Luxembourg) including IFRS.

**Good Industry Practice** means the standards, practices, methods and procedures as practised in the United Kingdom conforming to all applicable laws and the degree of skill, diligence, prudence and foresight which would reasonably be expected from a person undertaking the management and operation of properties comparable to the Properties.

**Guarantors** means the Obligors (other than the Borrower) and any party that becomes a guarantor in accordance with the Issuer/Borrower Loan Agreement.

**Hedge** means any Interest Rate Hedging Transaction.

**Hedge Collateral Excluded Amounts** means, prior to the discharge by the Borrower of all of its obligations under a Hedging Agreement, any amounts of collateral provided by the Hedge Counterparty to the Borrower in respect of such Hedging Agreement, the amount of any cash benefit in respect of a Tax Credit received by the Borrower that the Borrower is required to pay to the Hedge Counterparty under such Hedging Agreement and any Hedge Replacement Premium received by the Borrower in respect of such Hedging Agreement.

**Hedge Counterparty** means a bank or financial institution which (i) accedes to the Issuer/Borrower Loan Agreement, in connection with any Hedges that the Borrower may enter into or (ii) enters into a fully funded interest rate cap transaction with the Borrower, in each case, in connection with any Floating Rate Loan made to it after the Closing Date using the proceeds of any Further Notes, Replacement Notes or New Notes that are floating rate Notes.

**Hedge Counterparty Minimum Ratings** means the unsecured debt obligations of the relevant Hedge Counterparty (or, if applicable, any guarantor of such Hedge Counterparty) being rated by the Rating Agencies at such ratings as would not lead to any downgrade of the then current ratings of the Notes or the placing on "Credit Watch Negative" (or equivalent) of the Notes.

**Hedge Replacement Premium** means a premium or upfront payment received by the Borrower from a replacement hedge counterparty under a replacement hedging agreement entered into with the Borrower.

**Hedging Agreement** means each ISDA Master Agreement (including any credit support annex thereto and any confirmations entered into thereunder) between the Borrower and a Hedge Counterparty.

**Hedging Prepayment Proceeds** means any amount payable to the Borrower as a result of termination or closing out under a Hedging Agreement occurring prior to an Obligor Event of Default.

**Initial Asset Manager** means GL Europe Portfolio Advisor Limited.

**Insolvency Event** means, in respect of any company:

- (a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (in respect of an Obligor or the Issuer (as applicable)) are not, in the opinion of the Obligor Security Trustee or the Issuer Security Trustee (respectively)), being disputed in good faith with a reasonable prospect of success;
- (b) an encumbrancer (excluding, in relation to an Obligor, the Obligor Security Trustee or any receiver appointed by the Obligor Security Trustee and, in relation to the Issuer, the Issuer Security Trustee or any receiver appointed by the Issuer Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;
- (c) any distress, execution, attachment, diligence or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to an Obligor, the Obligor Security Trustee or any receiver appointed by the Obligor Security Trustee and, in relation to the Issuer, by the Issuer Security Trustee or any receiver 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 30 days;

- (d) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment or assignation for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;
- (e) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding-up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding-up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Issuer Security Trustee or by an Extraordinary Resolution of the Noteholders of each Class of the Notes);
- (f) subject to the other paragraphs of this definition, the appointment of an insolvency official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;
- (g) save as permitted (in the case of an Obligor) in the Obligor Deed of Charge or (in the case of the Issuer) in the Issuer Deed of Charge, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or
- (h) save as provided (in the case of an Obligor) in the Obligor Deed of Charge or (in the case of the Issuer) in the Issuer Deed of Charge, a moratorium is declared in respect of any indebtedness of such company,

or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or established or of any jurisdiction in which the company carries on business.

**Insolvency Event of Default** means an Obligor Event of Default under paragraphs 6–10 under the section entitled “*Events of Default*”.

**Insolvency Proceedings** means, in respect of any company, the winding-up, liquidation, dissolution or administration of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or established or of any jurisdiction in which the company carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

**Institution** means any organisation which is engaged in the provision of public services, including health and law enforcement.

**Institutional Lease** means any lease to an Institution.

**Insurance** means any contract of insurance required under the terms of the Issuer/Borrower Loan Agreement.

**Insurance Deposit Proceeds** means all Insurance Proceeds (including Excluded Insurance Proceeds) received by the Obligors in respect of a single claim or related claims where those proceeds exceed £1,000,000 in aggregate (such £1,000,000 threshold not to apply to proceeds received under any W&I Insurance or Title Insurance, which proceeds, for the avoidance of doubt, will be Insurance Deposit Proceeds (and Insurance Prepayment Proceeds) regardless of their amount).

**Insurance Prepayment Proceeds** means, at any time:

- (a) all Insurance Deposit Proceeds excluding any Qualifying Excluded Insurance Proceeds where **Qualifying Excluded Insurance Proceeds** means those Excluded Insurance Proceeds in relation to which the period of three years within which those Excluded Insurance Proceeds must be applied has not expired; and, if applicable, the Obligors are in compliance with the Insurance Reinstatement Conditions, provided that if a Trigger Event or a Mezzanine Trigger Event is continuing no Insurance Proceeds shall be considered Qualifying Excluded Insurance Proceeds; and
- (b) the proceeds from any Title Insurance or W&I Insurance.

**Insurance Proceeds** means the proceeds of Insurances (other than the proceeds of any loss of rent insurance) and also (in respect of any Northern Irish Property) any proceeds or compensation paid under the Criminal Damage (Compensation) (Northern Ireland) Order 1977 to an Obligor.

**Interest Rate** means, in respect of an Issuer/Borrower Loan, the rate applicable to the relevant Notes funding such Issuer/Borrower Loan, as specified in the Issuer/Borrower Loan Tranche Supplement relating to such Issuer/Borrower Loan.

**Intra-Group Agreement** means the intra-group agreement between, among others, the Obligors, entered into on or about the Closing Date, relating to the Intra-Group Loans and the Structural Intra-Group Loans (other than a Mezzanine Loan Note Issuer Intercompany Loan).

**Intra-Group Loan** means any Financial Indebtedness owed by an Obligor to another Obligor (other than a Structural Intra-Group Loan), provided that:

- (a) such Financial Indebtedness has been subordinated to the Obligor Secured Obligations under the terms of the Intercreditor Agreement; and
- (b) the rights of the creditor in respect of such Financial Indebtedness are the subject of Obligor Security.

**ISDA Master Agreement** means the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement each as published by the International Swaps and Derivatives Association Inc. and each including the schedule thereto.

**Issuer/Borrower Facility** means each term loan facility made available under the Issuer/Borrower Loan Agreement.

**Issuer/Borrower Facility Fee** means the Initial Issuer/Borrower Facility Fee, the Ongoing Issuer/Borrower Facility Fee and/or the Final Issuer/Borrower Facility Fee, as applicable.

**Issuer/Borrower Loan Tranche Supplement** means an issuer/borrower loan tranche supplement substantially in the form set out in the Issuer/Borrower Loan Agreement.

**Land Registry** means the official land registry of England and Wales.

**Lease** means any present or future lease, underlease, sub-lease, licence, tenancy or right to occupy in each case howsoever described whether on a fixed term or periodic basis governing the use or occupation of any freehold, heritable or leasehold property or any part of it in respect of any Property, including any Agreement for Lease or Management Company Lease.

**Lease Document** means each Occupational Lease, Management Company Lease, Institutional Lease, Rolling Agreement and Agreement for Lease in relation to a Property.

**Lease Proceeds** means any premium or other amount paid to an Obligor in respect of any agreement to amend, supplement, extend, waive, surrender or release a Lease Document and any damages, compensation or settlement amount (including in respect of dilapidations) payable by any tenant under any Lease Document as a result of the tenant vacating all or part of a Property whether at the end of its tenancy or otherwise.

**Legal Reservations** means:

- (a) the principle that certain remedies 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 and secured creditors;
- (b) the time barring of claims under applicable limitation laws and defences of acquiescence, set off or counterclaim and the possibility that an undertaking to assume liability for or to indemnify a person against non-payment of stamp duty may be void;
- (c) the principle that in certain circumstances Security Interests granted by way of fixed charge may be recharacterised as a floating charge or that Security Interests purported to be constituted as an assignment or assignation may be recharacterised as a charge;
- (d) the principle that additional interest imposed pursuant to any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;
- (e) the principle that a court may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant;
- (f) the principle that the creation or purported creation of Security Interests over any contract or agreement which is subject to a prohibition on transfer, assignment, assignation or charging may be void, ineffective or invalid and may give rise to a breach of the contract or agreement over which Security Interests have purportedly been created;
- (g) the principle that a court may not give effect to any parallel debt provisions, covenants to pay the Obligor Security Trustee or other similar provisions;
- (h) similar principles, rights and defences under the laws of any relevant jurisdiction; and
- (i) any other matters which are set out as qualifications or reservations (however described) as to matters of law in the legal opinions relating to the transaction.

**Leicester Properties** means the Eastern Boulevard Property, the Regents Court Property, the Summit Property, the Queens Court Property, the Upperton Road Property, the Newarke Street Property and the Brookland Road Property.

**Loan Final Maturity Date** means for each Issuer/Borrower Loan, the date specified in the Issuer/Borrower Loan Tranche Supplement relating to that Issuer/Borrower Loan.

**Loan Interest Payment Date** means:

- (a) 15 December and 15 June in each year, with the first Loan Interest Payment Date for:
  - (i) the Initial Issuer/Borrower Loan falling on 15 June 2017;

- (ii) any other Issuer/Borrower Loan being the date specified in the Issuer/Borrower Loan Tranche Supplement relating to that Issuer/Borrower Loan; and
- (b) in respect of each Issuer/Borrower Loan, the Loan Final Maturity Date for that Issuer/Borrower Loan.

**Maintenance Capex** means any costs incurred by an Obligor in relation to the day-to-day maintenance, repair and decoration of the Properties.

**Management Company Income** means all amounts received by the relevant Management Company in its Management Company General Account and in the relevant Facility Manager Client Account (without double counting) in relation to each Property leased under a Management Company Lease by such Management Company.

**Management Company Leases** means each lease entered into by the relevant Management Company (as tenant) and the relevant Propco (as landlord) in respect of a Property.

**Management Company Leases Rent** means the rent payable under any Management Company Lease.

**Management Company Operating Costs** means all Adjusted Approved Operating Costs paid by the relevant Management Company or by a Facility Manager, on behalf of the relevant Management Company.

**Management Reports** means a management report, substantially in the form set out in the Issuer/Borrower Loan Agreement, including, among other items, financial information for the purposes of testing the financial covenants under the Issuer/Borrower Loan Agreement.

**Material Adverse Effect** means, in the opinion of the Issuer, a material adverse effect on:

- (a) the business, operations, property or financial condition (other than any effect on value or income) of any Obligor;
- (b) the ability of any Obligor to perform its obligations under any Finance Documents;
- (c) the validity, legality or enforceability of, or the effectiveness or priority or ranking of any security granted or purported to be granted pursuant to any of, the Finance Documents; or
- (d) any right or remedy of a Finance Party in respect of a Finance Document.

**Material Trigger Event** means the occurrence of:

- (a) a breach of a Trigger Event Financial Covenant;
- (b) a Payment Default;
- (c) a Financial Covenant Default;
- (d) a drawdown under the Issuer Liquidity Facility (other than an Issuer Liquidity Standby Loan); or
- (e) an Insolvency Event of Default.

**Mezzanine Corrected Loan Note** means, with respect to the Loan Notes after they have become Mezzanine Specially Serviced Loan Notes, discontinuance of certain monetary events under

Mezzanine Servicing Agreement for two consecutive Loan Note Interest Periods and the facts giving rise to any other Mezzanine Special Servicing Transfer Event having ceased to exist and no other matter existing which would give rise to the Mezzanine Loan Notes becoming a Mezzanine Specially Serviced Loan Notes.

**Mezzanine Cure Deposit** means a deposit into the Cure Account an amount sufficient to ensure compliance with the financial covenants set out in the section entitled “*Description of the Mezzanine Loan Note Agreement*” – “*Historical Whole Loan Debt Yield and Projected Whole Loan Debt Yield*” (recalculated assuming that the deposit has been applied in prepaying the Issuer/Borrower Loans, in the case of any breach of the “Historical Whole Loan Debt Yield”), at the start of the Test Period ending on (and including) such Test Date and, in the case of any breach of the Projected Whole Loan Debt Yield, at the start of the Projected Test Period starting on (and excluding) such Test Date).

**Mezzanine Specially Serviced Loan Notes** means the Mezzanine Loan Notes following the occurrence of a certain events as determined by the Mezzanine Servicer pursuant to the terms of the Mezzanine Servicing Agreement, but prior to them becoming Mezzanine Corrected Loan Notes.

**Net Operating Income** means, in relation to any period, Management Company Income for the relevant time period less Management Company Operating Costs for the same time period.

**Net Senior Debt** means, at any time, the aggregate principal amount outstanding of the Senior Debt minus cash deposits held in the Defeasance Account, the Cure Account, all of the Disposal Accounts and the Lock-Up Account at that time.

**Net Sinking Fund Amount** means the amounts deposited, in aggregate, into the Sinking Fund Accounts less the amounts withdrawn, in aggregate, from the Sinking Fund Accounts for the relevant Test Period.

**Northern Irish Property** means any Property located in Northern Ireland.

**Obligor Account Bank** means Barclays Bank plc or any successor thereto, appointed to act as the account bank to the Obligors pursuant to the Obligor Account Bank Agreement.

**Obligor Accounts** means Management Company General Accounts, the Operating Income Accounts, the Sinking Fund Accounts, the Rent Accounts, the Deposit Accounts, the Disposal Accounts, the General Accounts, the Cure Account, the Lock-Up Account, each Luxembourg Share Capital Account, the Defeasance Account and, once open each Borrower Hedge Collateral Account, the Obligor Holdco 1 General Account, the Obligor Holdco 2 General Account, the Borrower Holdco General Account.

**Obligor Default** means an Obligor Event of Default or any Potential Obligor Event of Default.

**Obligor Enforcement Notice** has the meaning given to "Senior Enforcement Notice" in the Intercreditor Agreement.

**Obligor Fee Letter** means any letter entered into after the Closing Date designated an "Obligor Fee Letter" by the Issuer (see the section entitled “*Overview of the Issuer/Borrower Loan Agreement, the Mezzanine Loan Note Agreement and the Intercreditor Agreement*” - “*Intercreditor Agreement*”).

**Obligor Holdco 2 Management Companies** means GL Europe Regents Court UK Limited, GL Europe QC UK Limited, GL Europe Upperton Road UK Limited, GL Europe Newarke UK Limited, GL Europe Eastern Boulevard UK Limited, GL Europe Blandford Square UK Limited, GL Europe



Trinity Square UK Limited, GL Europe Brookland UK Limited, GL Europe Wrexham UK Limited and GL Europe South Yorkshire UK 2 Limited.

**Obligor Security** or **Obligor Transaction Security** means any Security Interests created or expressed to be created pursuant to any Obligor Security Document which, to the extent legally possible:

- (a) is created in favour of the Obligor Security Trustee as security agent and/or trustee (as applicable) for the other Obligor Secured Creditors in respect of their Liabilities; or
- (b) in the case of any jurisdiction in which effective Security Interests cannot be granted in favour of the Obligor Security Trustee as trustee for the other Obligor Secured Creditors, is created in favour of:
  - (i) all the Obligor Secured Creditors in respect of their Liabilities; or
  - (ii) the Obligor Security Trustee under a parallel debt structure for the benefit of all the Obligor Secured Creditors,

and which, in each case, ranks in the order of priority contemplated in the Intercreditor Agreement.

**Obligor Transaction Documents** means the following documents entered into on, or to be entered into following, the Closing Date:

- (a) the Master Definitions Schedule;
- (b) the Finance Documents;
- (c) the Obligor Account Bank Agreement;
- (d) any Intra-Group Agreement;
- (e) any Facility Management Agreement;
- (f) any Asset Management Agreement;
- (g) any Lease Document (other than any Direct Occupational Lease);
- (h) the Tax Deed of Covenant;
- (i) any Facility Manager Client Account Declaration of Trust; and
- (j) any document designated as such by the Issuer and the Borrower.

**Occupational Lease** means any occupational lease to which an Obligor's interest in a Property may be subject from time to time, including any Direct Occupational Lease.

**Operating Costs** means, in respect of any period, the costs and expenses incurred (or, in respect of any projected costs and expenses, expected to be incurred) by or on behalf of any Obligor (other than the Borrower) in its ordinary course of business, on arm's length terms, in respect of operating costs and expenses in relation to the Properties (without any double counting) and as confirmed in the most recent Management Report delivered under the Issuer/Borrower Loan Agreement, including, without limitation, amounts payable in respect of:

- (a) property costs such as rates, insurance premia, rent and other amounts payable under Headleases;
- (b) asset management fees, up to an amount equal to £30,000 per annum per Property (being £390,000 per annum in aggregate for the Property Portfolio as at the Closing Date) (subject to annual indexation in accordance with the "All Items Retail Prices Index" (excluding "Mortgage Interest Payments") produced by the Office for National Statistics or other successor ministry department or body when the last published index figure before 29 September is compared with the index figure for the same month in the previous year) (excluding VAT chargeable on such fee);
- (c) Obligor Account Bank fees;
- (d) facility management fees; and
- (e) staff/management costs and administration costs in relation to any Obligor (other than the Borrower) (excluding any asset management fees as described in (b) above) (including VAT chargeable on such costs and expenses);

but excluding:

- (f) Capex;
- (g) taxes (except for VAT chargeable on such costs and expenses);
- (h) depreciation, other non-cash charges, reserves, amortisation of intangibles and similar accounting entries; and
- (i) any other payments included or listed in the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities (including all amounts payable by the Obligors to the Obligor Secured Creditors).

**Original Financial Statements** means:

- (a) (where available) the financial statements for each Obligor for the financial year ended 31 December 2015, delivered by the Obligors as a condition of utilisation under the Issuer Borrower Loan Agreement; or
- (b) those financial statements delivered by an additional guarantor pursuant to the Issuer/Borrower Loan Agreement.

**Original Jurisdiction** means, in relation to any Obligor, the jurisdiction under whose laws that Obligor is incorporated or established as at the date of the Issuer/Borrower Loan Agreement.

**Original Mezzanine Loan Notes Final Maturity Date** means the last Business Day falling in February 2022.

**Party** means a party to the relevant agreement.

**Payment Default** means an Obligor Event of Default under paragraph 1 under the section entitled "*Events of Default*".

**Perfection Requirements** means the making or procuring of the appropriate registrations, filings, endorsements, notarisations, stampings and/or notifications necessary for the validity, enforceability (as against the relevant Obligor or any relevant third party) and/or perfection of the Obligor Security

Documents or the Issuer Deed of Charge (as applicable) and for the Security Interests created by them.

**Permitted Financial Indebtedness** means Financial Indebtedness:

- (a) incurred by the Borrower under the Issuer/Borrower Facility on the Closing Date;
- (b) subject to the provisions of the Issuer/Borrower Loan Agreement, any Mezzanine Liabilities, incurred in accordance with the Mezzanine Finance Documents;
- (c) that is a Permitted Loan;
- (d) that is Subordinated Debt;
- (e) incurred under a Management Company Lease, a Facility Management Agreement or an Asset Management Agreement;
- (f) where the Financial Indebtedness is incurred primarily as a means to finance the acquisition of an asset (including fixtures and fittings, but excluding real property) and does not, when aggregated with any such other Financial Indebtedness under this paragraph (f), exceed £250,000 (which the Obligors will pay when due and payable in accordance with the respective terms thereof, unless any amount outstanding is being contested in good faith by appropriate means);
- (g) incurred by each Obligor (other than the Borrower Holdco, the Borrower and the Obligor Holdcos) in respect of trade credit in the ordinary course of business and which is not more than 60 days overdue (which the Obligors will pay when due and payable in accordance with the respective terms thereof, unless any amount outstanding is being contested in good faith by appropriate means);
- (h) incurred by the Borrower under any Hedge entered into after the Closing Date as permitted or contemplated by the Issuer/Borrower Loan Agreement in connection with the incurrence of any New Financial Indebtedness that is a Floating Rate Loan;
- (i) that arises as a credit to a tenant, or arrears owed by a tenant, in the ordinary course of any Obligor's business (which, in the case of credit due to a tenant, the Obligors will pay when due and payable in accordance with the respective terms thereof, unless any amount outstanding is being contested in good faith by appropriate means); or
- (j) incurred by the Borrower as a result of an increase in the amount available to draw under the Issuer/Borrower Loan Agreement from the amount available thereunder as at the Closing Date by way of an increase in the Initial Issuer/Borrower Loan or an advance of a new Issuer/Borrower Loan (**New Financial Indebtedness**), to be documented in an Issuer/Borrower Loan Tranche Supplement), provided that each of the following conditions is satisfied before such New Financial Indebtedness is incurred (for these purposes, the Borrower shall provide a director's certificate to the Issuer and the Obligor Security Trustee confirming the satisfaction of such conditions together with evidence to support its certification, without prejudice to the Obligor Security Trustee's right to rely on such certificate without further enquiry, and will give the Issuer and the Obligor Security Trustee a reasonable time to review (and if necessary dispute) such certification and request further information in relation to such confirmations in relation to such certification or request appropriate third party certification):

- (i) the Projected NOI ICR immediately after the incurrence of such Financial Indebtedness is greater than or equal to 2.50x (calculated assuming such Financial Indebtedness was incurred at the beginning of the then current Projected Test Period);
- (ii) the Property Portfolio Criteria and the Incoming Property Criteria are satisfied in the case of any Property which an Obligor (or entity which is to become an Obligor) acquires or proposes to acquire in accordance with the Issuer/Borrower Loan Agreement (an **Incoming Property**) in connection with the incurrence of such New Financial Indebtedness;
- (iii) such New Financial Indebtedness carries an interest rate, coupon or equivalent repayment provision based upon a fixed percentage rate or (subject to an appropriate Hedge being entered into by the Borrower in accordance with the section entitled "*Property Undertakings*" - "*Hedging*" below) is a Floating Rate Loan;
- (iv) the Loan to Value Ratio immediately after the incurrence of such Financial Indebtedness is less than or equal to 55 per cent. (calculated assuming such Financial Indebtedness was incurred on the immediately preceding Test Date);
- (v) the then current ratings of the Notes will not be adversely affected by the incurrence of such New Financial Indebtedness (or New Financial Indebtedness incurred under paragraph (h) above) (as confirmed by receipt of a Rating Agency Confirmation);
- (vi) such New Financial Indebtedness will rank *pari passu* to the then existing Senior Debt;
- (vii) no Trigger Event or Mezzanine Trigger Event has occurred and is continuing or would result from such New Financial Indebtedness being incurred;
- (viii) no Obligor Default or Mezzanine Default has occurred and is continuing or would result from such New Financial Indebtedness being incurred;
- (ix) such New Financial Indebtedness will be denominated in sterling;
- (x) such New Financial Indebtedness incurred by the Borrower will be on-lent (as Subordinated Debt) first to a Propco, pursuant to Structural Intra-Group Loans and thereafter, if necessary, to the other Obligors pursuant to one or more Intra-Group Loans;
- (xi) the New Financial Indebtedness will be in a principal amount of not less than £5,000,000;
- (xii) any Incoming Property secures, on terms reasonably satisfactory to the Obligor Security Trustee acting on the instructions of the Issuer, the Obligor Secured Obligations;
- (xiii) the New Financial Indebtedness shall be fully cross-collateralised and cross-defaulting with any existing Issuer/Borrower Loan;
- (xiv) while any Mezzanine Loan Notes are outstanding, such New Financial Indebtedness is used solely for the purpose of acquiring or refinancing an Incoming Property and related costs;

- (xv) while any Mezzanine Loan Note is outstanding, the conditions set out in paragraphs (ii) or (iii) (as applicable) of the definition of "New Financial Indebtedness" contained in the Mezzanine Loan Note Agreement are satisfied as if set out in full in the Issuer/Borrower Loan Agreement, *mutatis mutandis*;
- (xvi) while any Mezzanine Loan Notes are outstanding, such New Financial Indebtedness will have a final maturity date that is not earlier than six months after the Original Mezzanine Loan Notes Final Maturity Date;
- (xvii) if such New Financial Indebtedness will include any representation or warranty, covenant, undertaking (other than any payment undertaking), event of default (howsoever described or defined), indemnity or other mandatory prepayment provision which, in each case, is more onerous for the Obligors than the equivalent terms that apply to the existing Issuer/Borrower Loans (each such provision being an **Improved Term**):
  - (i) to the extent the consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Issuer) is required under paragraph (b) of clause 20.7 (Financial Indebtedness) of the Mezzanine Loan Note Agreement to an Improved Term, the consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Issuer) is obtained in respect of that Improved Term or is deemed to be given in accordance with that paragraph (each such provision being an **Approved Improved Term**); and
  - (ii) in accordance with the Mezzanine Loan Note Agreement, the Mezzanine Finance Documents are amended pursuant to of the Intercreditor Agreement to include each Approved Improved Term; and
- (xviii) if such New Financial Indebtedness is repayable by way of more than one scheduled repayment (and not one repayment at the end of the term of such New Financial Indebtedness), the then current ratings of the Mezzanine Notes will not be adversely affected by the incurrence of such New Financial Indebtedness (or New Financial Indebtedness incurred under paragraph (h) above) (as confirmed by receipt of a Rating Agency Confirmation (as defined in the Mezzanine Loan Note Agreement)).

**Permitted Guarantees** means:

- (a) any guarantee arising under any Finance Document;
- (b) any guarantee arising under any Mezzanine Finance Document; and
- (c) any guarantee of Permitted Financial Indebtedness.

**Permitted Loan** means:

- (a) credit balances held in any Obligor Account with the Obligor Account Bank; and
- (b) provided that (A) such Financial Indebtedness has been subordinated to the Obligor Secured Obligations under the terms of the Intercreditor Agreement; and (B) the rights of the creditor in respect of such Financial Indebtedness are the subject of Obligor Security:
  - (i) an Intra-Group Loan (to the extent the Obligor is the creditor); and
  - (ii) a Structural Intra-Group Loan.

**Permitted Mezzanine Administrative Costs** means the costs and expenses incurred by the Mezzanine Obligors or the Mezzanine Loan Noteholders in connection with the fees and expenses of the Mezzanine Agent, the Mezzanine Security Trustee and any Mezzanine Issuer Secured Creditor (other than, directly or indirectly, the Mezzanine Noteholders) and other related administrative costs and expenses (including third party costs and expenses such as the fees of a Rating Agency (as defined in the Mezzanine Loan Note Agreement) and the relevant listing authority), but, for the avoidance of doubt, excludes payments in respect of any Mezzanine Loan Notes or Mezzanine Notes, including, without limitation, payments of interest, principal or Repayment Costs (as defined in the Mezzanine Loan Note Agreement) in respect of any Mezzanine Loan Notes or Mezzanine Notes, up to an aggregate amount equal to:

- (a) prior to the Mezzanine Loan Notes becoming Mezzanine Specially Serviced Loan Notes (and while the Mezzanine Loan Notes are Mezzanine Corrected Loan Notes), pursuant to the terms of the Mezzanine Servicing Agreement, £80,000 (plus VAT) per annum; or
- (b) after the Mezzanine Loan Notes have become Mezzanine Specially Serviced Loan Notes (and while the Mezzanine Loan Notes are not Mezzanine Corrected Loan Notes), pursuant to the terms of the Mezzanine Servicing Agreement, £190,000 (plus VAT) per annum.

**Permitted Payments** means, provided that, in each case, it is permitted under the Intercreditor Agreement:

- (a) a payment between Obligors contemplated by the provisions set out in section entitled "*Accounts*" below;
- (b) a payment between Obligors out of the proceeds of the Notes;
- (c) a payment to the Mezzanine Loan Note Issuer:
  - (i) made at a time when no Payment Stop Notice is outstanding:
    - (A) by way of a payment out of a Rent Account to the Mezzanine Finance Account in accordance with the section entitled "*Rent Accounts*" below;
    - (B) by way of a payment to the Mezzanine Prepayment Account in accordance with the section entitled "*Other mandatory prepayments*" below;
    - (C) by way of a payment to the Mezzanine Lock-Up Account in accordance with the section entitled "*Rent Accounts*" below; or
  - (ii) made at a time when a Payment Stop Notice is outstanding in an amount equal to the Permitted Mezzanine Administrative Costs then due and payable and made by way of payment out of a Rent Account to the Mezzanine Finance Account in accordance with the section entitled "*Rent Accounts*" below; or
  - (iii) to the Mezzanine General Account from amounts standing to the credit of a General Account that are not required to be applied for another purpose provided that:
    - (A) there is no breach of the Trigger Event Financial Covenants;
    - (B) no other Trigger Event is continuing or would result from the relevant payment; and
    - (C) no Obligor Default is continuing or would result from the relevant payment; or

- (d) a payment to the Asset Manager from amounts standing to the credit of a General Account that are not required to be applied for another purpose provided that:
  - (i) there is no breach of the Trigger Event Financial Covenants;
  - (ii) no other Trigger Event is continuing or would result from, relevant payment; and
  - (iii) no Obligor Default is continuing or would result from the relevant payment.

**Permitted Share Issuance** means any issuance of new shares (or share premium) by an Obligor to its immediate parent (other than in the case of the Borrower Holdco, being also an Obligor) as a reduction of such Obligor's Intra-Group Loans or Structural Intra-Group Loans (as applicable), provided that:

- (a) those new shares are subject to Obligor Transaction Security (other than any shares issued by the Borrower Holdco to the Mezzanine Loan Note Issuer); and
- (b) the Borrower Holdco cannot issue any shares (or share premium) to the Mezzanine Loan Note Issuer at any time when a Payment Stop Notice is outstanding.

**Potential Obligor Event of Default** means any event which (with the passage of time, the giving of notice, the expiry of a grace period, the making of any determination or any combination of any of the foregoing) could reasonably be expected to become an Obligor Event of Default.

**Projected NOI** means, in respect of any Projected Test Period, subject to the section entitled '*Compliance Certificate*' below, the Borrower's reasonable estimate of the consolidated gross cash inflow (excluding Disposal Proceeds, Insurance Proceeds, Recovery Proceeds, Excluded Recovery Proceeds, Lease Proceeds and Compensation Proceeds) from the owning and operating activities of the Obligors in respect of the Properties (including, without limitation, Rental Income, any payments received by any Obligor under any Rolling Agreement and any contribution to a sinking fund paid by a tenant of a Property or pursuant to a Rolling Agreement), less (without double counting) in each case its reasonable estimate of the following for the relevant Projected Test Period:

- (a) Operating Costs (excluding recoverable VAT);
- (b) Maintenance Capex;
- (c) Enhancement Capex (only to the extent funded by gross cash in-flow and not funded by Subordinated Debt or equity contribution);
- (d) any costs of rectifying or reinstating a Property where such rectification or reinstatement is not covered by Insurance Proceeds;
- (e) any costs associated with the realisation of any proceeds of a compulsory purchase of a Property;
- (f) any fees, costs and expenses payable to any Property Adviser; and
- (g) any Net Sinking Fund Amount.

**Projected Finance Costs** means, in respect of any Projected Test Period, the aggregate of all interest on the Notes and Senior Expenses which, in the reasonable opinion of the Borrower, will be payable by the Obligors to the Obligor Secured Creditors (other than the Mezzanine Finance Parties) under the Obligor Transaction Documents during that Projected Test Period.

**Property Report** means, in respect of any Property;

- (a) any Certificate of Title supplied to the Issuer (and which the Issuer has reliance on); and
- (b) any certificate or report on title supplied to the Issuer (and on which the Issuer has reliance).

**PwC Reports** means certain financial and tax due diligence reports.

**Rating Agency Confirmation** means a written confirmation from each Rating Agency then rating the Notes that:

- (a) the then current ratings of the Notes rated thereby will not be qualified, downgraded or withdrawn as a result of certain matters; or
- (b) if the original rating of the Notes has been downgraded previously, that certain matters will not prevent the restoration of such original rating of the Notes,

it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation. In the event that any one or more of the Rating Agencies is or are unable to provide such confirmation for any reason other than related to the rating itself, the requirement for the confirmation from that Rating Agency or Rating Agencies with respect to such matter will be deemed not to apply and instead the Borrower shall provide a director's certificate to the Issuer, certifying, after having made all reasonable enquiries, together with evidence to support its certification, that the relevant matters will not, in its reasonable belief, result in:

- (a) the then current ratings of the Notes rated being qualified, downgraded or withdrawn as a result of the relevant matters; or
- (b) if the original rating of the Notes has been downgraded previously the relevant matters, preventing the restoration of such original rating of the Notes,

and will give the Issuer a reasonable time to review (and if necessary dispute) such certification and request further information in relation to such certification or request appropriate third party certification.

**Recovery Prepayment Proceeds** means:

- (a) all Recovery Proceeds received by the Obligors; and
- (b) all Excluded Recovery Proceeds that are not applied in accordance with paragraph (a) or (b) of the definition of Excluded Recovery Proceeds within the period specified in that definition.

**Recovery Proceeds** means the proceeds of a claim (a **Recovery Claim**) against:

- (a) the vendor of the shares in any Obligor or the vendor of any Property, or any of their affiliates (or any employee, officer or adviser); or
- (b) the provider of any Report or Security Report or the provider of any other due diligence report (in its capacity as provider of the same) in connection with the acquisition, development, financing or refinancing of any Property,

except for Excluded Recovery Proceeds, and after deducting:

- (i) any reasonable expenses incurred by an Obligor to a person who is not an Obligor or affiliate of an Obligor;



- (ii) any Tax incurred and required to be paid by an Obligor (as reasonably determined by that Obligor on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that Recovery Claim.

**Relevant Jurisdiction** means, in relation to an Obligor:

- (a) its Original Jurisdiction;
- (b) any jurisdiction where any asset subject to or intended to be subject to the Obligor Security to be created by that Obligor is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Obligor Security Documents entered into by it.

**Rental Income** means (without double counting) all sums paid or payable to or for the benefit of any Obligor arising from the letting, use, licence or occupation of all or any part of any Property, including, without limitation:

- (a) rents, licence fees and equivalent sums reserved or made payable, whether under a Lease Document or otherwise;
- (b) (i) sums received from any deposit (together with any interest thereon) held as security for performance of any tenant's obligations to the extent such sums are applied to satisfy non-payment of obligations of a tenant under its Direct Occupational Lease and (ii) any deposit (together with any interest thereon) held as security for performance of any tenant's obligations to the extent such deposit is not required in any situation to be refunded to a tenant;
- (c) any other monies payable in respect of use and/or occupation of a Property;
- (d) proceeds of insurance in respect of loss of rent or interest on rent;
- (e) proceeds paid by way of reimbursement of expenses incurred or on account of expenses to be incurred in the management, maintenance and repair of, and the payment of insurance premiums for, a Property;
- (f) proceeds paid for a breach of covenant or undertaking under any Lease in relation to a Property and for expenses incurred in relation to any such breach;
- (g) any contribution by an occupational tenant of a Property or pursuant to a Rolling Agreement to ground rent due under any Lease out of which an Obligor derives its interest in that Property;
- (h) any payment from a guarantor or other surety in respect of any of the paragraphs listed in this definition;
- (i) interest, damages or compensation in respect of any of the paragraphs contained within this definition (less any related fees or expenses incurred (which have not been reimbursed by another person) by any Obligor);
- (j) any other ancillary income arising from the ownership and operation of the Properties;

- (k) any amount which represents VAT chargeable in respect of any sums specified in paragraphs (a) to (j) inclusive above; and
- (l) recoveries of VAT.

**Rent Payment Date** means any date upon which Management Company Leases Rent is due and payable under a Management Company Lease.

**Repayment Costs** means (without double counting) in relation to any prepayment of any Issuer/Borrower Loan (or part thereof):

- (a) any amounts of interest required to be paid by the Issuer under the Notes on the date on which the Notes are redeemed as a result of such prepayment;
- (b) any prepayment fees premium and/or amount payable by the Issuer in respect of the redemption of any Notes in accordance with Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loans) of the Initial Notes and, as the context so requires, the corresponding provision of any Further Notes, Replacement Notes or New Notes, as a result of such prepayment;
- (c) any amounts payable by the Issuer and the Obligors in connection with the prepayment of the Issuer/Borrower Loans and the redemption of the Notes (in whole or in part) as a result of such prepayment of the Notes (including for the avoidance of doubt, any amounts payable by the Obligors in connection with the partial or full termination of any Hedge relating to such prepayment);
- (d) accrued and unpaid Issuer/Borrower Facility Fee up to the date on which the Notes (in whole or in part) are redeemed as a result of such prepayment;
- (e) any prepayment to be made under the Issuer Liquidity Facility as per the section entitled "*Mezzanine Loan Note Agreement*" - "*Prepayments*" below;
- (f) Break Costs; and
- (g) if the Issuer/Borrower Loans are being prepaid in full, all amounts ranking *pari passu* or senior to payments of interest on the Issuer/Borrower Loans in the relevant Borrower Payment Priorities.

**Repeating Representations** means each of the representations and warranties set out in the Issuer/Borrower Loan Agreement (see the section entitled "*Representations*" below for further details).

**Report** means:

- (a) the Environmental Reports;
- (b) the Property Reports;
- (c) the PwC Reports;
- (d) the Broker's Letter of Undertaking;
- (e) the Technical Reports;
- (f) any Valuation;

- (g) any certificate or report on title supplied to the Issuer (and which the Issuer has reliance on); and
- (h) any other report designated as such by the Issuer.

**Report Recoveries Side Letter** means the letter dated on or about the Closing Date, between, among others, the Issuer and the Obligor Security Trustee, relating to Recovery Prepayment Proceeds.

**Residual Disposal Proceeds** means:

- (a) any Net Disposal Proceeds that are not Net Disposal Minimum Proceeds; and
- (b) the amounts referred to in paragraphs (a)(iv), (b)(iv) and (c)(iii) the section entitled "*Mandatory prepayment following disposal of a property*".

**Rolling Agreement** means any agreements between an Obligor and a higher education institution, healthcare establishment or other institution or establishment employing or engaging key workers (including, but not limited to, nurses, firemen and policemen) whereunder such Obligor agrees to make available residential accommodation at a Property for persons nominated by such institution or healthcare establishment in return for the payment of specified sums (being payable irrespective of whether such accommodation is utilised).

**Scottish Property** means any Property located in Scotland.

**Seasonality Ledger** means the ledger in each Rent Account designated as such.

**Secession Memorandum** means a secession memorandum substantially in the form set out in the Issuer/Borrower Loan Agreement.

**Security Interest** means a mortgage, standard security, assignation of rents, assignment, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**Security Report** means:

- (a) the planning reports relating to the Properties prepared by GL Hearn;
- (b) the planning reports relating to the Properties prepared by Gerald Eve;
- (c) the mechanical and engineering reports relating to the Properties prepared by Hulley and Kirkwood;
- (d) the red flag legal due diligence report prepared by Kirkland & Ellis International LLP, Loyens & Loeff N.V. and Mishcon de Reya LLP; and
- (e) the building survey reports relating to the Properties prepared by GL Hearn.

**Senior Debt** means any liability of the Obligors under:

- (a) the Issuer/Borrower Loans, incurred by the Obligors under the Issuer/Borrower Loan Agreement; and
- (b) any Hedges entered into after the Closing Date.

**Senior Expenses** means (without double counting):

- (a) the amount payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee by noon on each Distribution Date to cover amounts due and payable by the Issuer ranking senior or *pari passu* to interest on the Notes in accordance with the relevant Issuer Payment Priorities; and
- (b) amounts due and payable by the Borrower to the Obligor Secured Creditors and other parties ranking senior or *pari passu* to payments of interest on the Issuer/Borrower Loans in accordance with the relevant Borrower Payment Priorities (save for the avoidance of doubt any amount of the Borrower's tax).

**Senior Relevant Multiple** means 110 per cent.

**Senior Required Redemption Amount** means, in respect of each Property, the aggregate of (i) the Senior Relevant Multiple of the Allocated Debt Amount for that Property and (ii) Repayment Costs.

**Sinking Fund Amount** means, for each Property, an annual amount equal to the greater of:

- (a) three per cent. of forecast Rental Income for the relevant Property for the forthcoming 12-month period; and
- (b) three per cent. of Rental Income for the relevant Property received or receivable during the 12-month period prior to the Closing Date index-linked on an annual basis by reference to a retail prices index (subject to a floor of zero).

**Sponsor Affiliate** means any Sponsor, any of its Affiliates and affiliated investment funds, any trust of which any Sponsor or any of its Affiliates is a trustee, any partnership of which any Sponsor or any of its Affiliates is a partner and any trust, fund or other entity which is managed or advised by, or is under the control of, any Sponsor or any of its Affiliates.

**Structural Intra-Group Loan** means any Financial Indebtedness:

- (a) that is a Mezzanine Loan Note Issuer Intercompany Loan;
- (b) granted by the Borrower Holdco to the Borrower, using the proceeds of a Mezzanine Loan Note Issuer Intercompany Loan (a **Borrower Holdco Loan**); and
- (c) granted by the Borrower to a Propco, using the proceeds of any Borrower Holdco Loan or any Issuer/Borrower Loan.

**Subordinated Debt** means any Financial Indebtedness:

- (a) under Structural Intra-Group Loans; and
- (b) under Intra-Group Loans; and

provided that:

- (c) such Financial Indebtedness has been subordinated to the Obligor Secured Obligations under the terms of the Intercreditor Agreement; and
- (d) the rights of the creditor in respect of such Financial Indebtedness are, other than in the case of the Mezzanine Loan Note Issuer Intercompany Loan, the subject of Obligor Security.

**Subsidiary** means 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.

**Sulets Client Account** means the Facility Manager Client Accounts held by Sulets.

**Tax** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying the same), and **Taxes, taxation, taxable** and comparable expressions will be construed accordingly.

**Tax Credit** means a credit against, relief or remission for, or repayment of, any Tax (and shall include any credit, relief, rebate or repayment of any tax by virtue of a double taxation treaty).

**Technical Reports** means:

- (a) each technical report prepared by Savills plc in respect of the Properties (and in relation to which the Issuer has reliance); and
- (b) any other technical report approved by the Issuer and delivered to the Issuer (and in relation to which the Issuer has reliance).

**Test Date** means

- (a) 31 October and 30 April in each year, provided that the first Test Date shall fall on 30 April 2017;
- (b) the date on which a Property is disposed of, immediately following such disposal, for the purposes of calculating the Historical NOI ICR and the Projected NOI ICR;
- (c) the dates set out in paragraphs (e) and (f) of the Acquisition Conditions for the purposes of calculating the Historical NOI ICR and the Projected NOI ICR;
- (d) the dates set out in paragraph (c) of the Acquisition Conditions (as applicable) for the purposes of calculating the Loan to Value Ratio; and
- (e) the dates set out in paragraph (v) under the section entitled "*Development, alterations and Enhancement Capex*" for the purposes of calculating the Loan to Value Ratio.

**Tax Deduction** means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA deduction.

**Title Insurance** means any insurance provided under certain title insurance policies.

**Transaction Documents** means:

- (a) The Mezzanine Transaction Documents; and
- (b) The Obligor Transaction Documents.

**UK Qualifying Issuer** means:

- (a) an Issuer which is beneficially entitled to interest payable to that Issuer in respect of an advance under a Finance Document and is:

- (i) an Issuer:
  - (A) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or
  - (B) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
- (ii) an Issuer which is:
  - (A) a company resident in the United Kingdom for United Kingdom tax purposes;
  - (B) a partnership each member of which is:
    - (a) a company so resident in the United Kingdom; or
    - (b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA;
  - (C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or
- (iii) a UK Treaty Issuer; or
- (b) an Issuer which is a building society (as defined for the purpose of section 880 of the ITA) making an advance under a Finance Document.

**UK Treaty Issuer** means an Issuer which:

- (a) is treated as a resident of a UK Treaty State for the purposes of the UK Treaty;
- (b) does not carry on a business in the United Kingdom through a permanent establishment with which that Issuer's participation in the Issuer/Borrower Loan is effectively connected; and
- (c) meets (in relation to any payments of interest payable to that Issuer in respect of advances under the Finance Documents) all other conditions in the UK Treaty for full exemption from Tax imposed by the United Kingdom on interest except that for this purpose it shall be assumed that the following are satisfied:
  - (i) any condition which relates (expressly or by implication) to the business or nature of the person making the payment or to there not being a special relationship between

the Borrower and the Issuer or between both of them and another person, or to the amounts or terms of any Issuer/Borrower Loan, or to the terms of the Finance Documents; and

- (ii) any necessary procedural formalities.

**UK Treaty State** means a jurisdiction having a double taxation agreement (a **UK Treaty**) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

**Valuation** means:

- (a) the Initial Valuation Report;
- (b) a Desktop Valuation;
- (c) a Full Valuation; and/or
- (d) a Valuation obtained under the terms of the Mezzanine Loan Note Agreement,

prepared by a Valuer, addressed to or capable of being relied upon by the Finance Parties and the Mezzanine Finance Parties.

**W&I Insurance** means certain warranty and indemnity insurance policies.

**Whole Loan to Value Ratio** means, on any relevant date, the proportion expressed as a percentage which:

- (a) the aggregate of the Net Senior Debt and the Net Mezzanine Debt on such date; bears
- (b) to the aggregate market value of the Properties calculated by reference to the then most recent Valuation.

### ***DRAWDOWN, PURPOSE AND FURTHER ADVANCES***

The amount to be drawn under the Issuer/Borrower Facility as at the Closing Date will be £215,000,000. The Obligors will use the proceeds of the initial Issuer/Borrower Loan (as well as the proceeds of the Mezzanine Loan Note) to repay the Bridge Facility Agreement.

Further advances can be made to the Borrower under the terms of the Issuer/Borrower Loan Agreement subject to certain conditions being met (see the definition of "Permitted Financial Indebtedness" for further details). The Obligors will use the proceeds of any further advances to finance or refinance the cost of acquisition of any Properties (whether through a direct acquisition of a Property or an acquisition of shares in an entity which owns a Property), to pay any fees, costs and expenses, stamp registration or any other Taxes incurred by any Obligor in connection with the acquisition of any properties or, once the Mezzanine Loan Notes have been repaid in full, the general corporate purposes of the Obligor Group.

### ***INTEREST ON THE ISSUER/BORROWER LOAN***

Interest under the Issuer/Borrower Loans will be due and payable three Business Days before each Loan Interest Payment Date and three Business Days before the Loan Final Maturity Date. The (semi-annual) Loan Interest Payment Dates will correspond with Note Interest Payment Dates. This means that Loan Interest Payment Dates will fall on 15 December and 15 June in each year (or if such date is not a Business Day, the immediately following Business Day).

Each **Loan Interest Period** commences on (and includes) a Loan Interest Payment Date (or, in respect of the first Loan Interest Period, commences on the Closing Date) and ends on (but excludes) the next following Loan Interest Payment Date (or, in respect of the first Loan Interest Period, ends on (but excludes) the Loan Interest Payment Date falling in June 2017) and in respect of the last Loan Interest Period ends on (but excludes) the Loan Final Maturity Date (ignoring for this purpose any adjustment for a Loan Interest Payment Date falling on a day which is not a Business Day).

The rate of interest applicable to the initial Issuer/Borrower Loan (and subsequent Issuer/Borrower Loans) for each Loan Interest Period will be equal to the rate of interest applicable to the Notes and the relevant Further Notes, Replacement Notes or New Notes the proceeds of which are on-lent to make such Issuer/Borrower Loan, for the corresponding Note Interest Period.

If an Obligor fails to pay any amount payable by it under the Issuer/Borrower Loan Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is equal to, where applicable, the rate of default interest payable in respect of the corresponding Notes.

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Loan Interest Period applicable to that overdue amount but will remain immediately due and payable.

## ***FEES***

On the Closing Date, pursuant to the Issuer/Borrower Loan Agreement, the Borrower will pay to the Issuer by way of a fee (the **Initial Issuer/Borrower Facility Fee**) an amount to meet the costs and expenses of the Issuer in connection with the making of the Issuer/Borrower Loan and the issue of the Notes (including, *inter alia*, the fees and expenses of the Issuer Security Trustee, the Note Trustee and the Issuer's legal advisors, accountants and auditors).

On certain dates as specified in the Issuer/Borrower Loan Agreement, the Borrower will pay an ongoing fee (the **Ongoing Issuer/Borrower Facility Fee**) which shall be equal to the aggregate amount required by the Issuer, on the relevant date, to enable the Issuer to make payment of, or provision for, all amounts required to be paid to or provided for by the Issuer (whether on a Note Interest Payment Date or (without limitation, following the enforcement of the Issuer Security or the service of a Note Acceleration Notice, the date on which payments are made pursuant to the Issuer Post-Enforcement Pre-Acceleration Payment Priorities or the Issuer Post-Enforcement Post-Acceleration Payment Priorities)) (other than payments of interest, principal or premium in respect of the Notes) in accordance with the relevant Issuer Payment Priorities or otherwise.

Once all interest, principal and other amounts owing to the Issuer under the Issuer/Borrower Loan Agreement (other than the amounts owing pursuant to this paragraph) have been paid to the Issuer, the Borrower will pay the Issuer a final facility fee in the amount required by the Issuer to make payment of all amounts required to be paid by the Issuer to fund the reasonable costs and expenses of its winding-up (the **Final Issuer/Borrower Facility Fee**).

## ***REPAYMENT OF THE ISSUER/BORROWER LOAN***

Unless previously repaid in full, the Borrowers will repay each Issuer/Borrower Loan in full three Business Days prior to its Loan Final Maturity Date (which corresponds to the Note Expected Maturity Date of the corresponding Notes).



## **PREPAYMENT OF THE ISSUER/BORROWER LOAN**

### **VOLUNTARY PREPAYMENTS**

#### **VOLUNTARY PREPAYMENTS OF THE ISSUER/BORROWER LOANS**

- (a) Voluntary prepayments, in whole or in part, of any Issuer/Borrower Loan may be made at any time, if the Borrower gives the Issuer at least five Business Days' prior written notice (or such shorter period as may be agreed between the Issuer and the Borrower) but, if in part, being an amount that reduces the amount of an Issuer/Borrower Loan by a minimum amount of £1,000,000.
- (b) Any prepayment made in accordance with paragraph (a) above, (c), (d) or (e) below must **firstly** be applied by the Borrower in payment of the Ongoing Issuer/Borrower Facility Fee in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement) and **secondly** in prepayment of the Issuer/Borrower Loans (together with accrued interest, Repayment Costs and associated costs).
- (c) The Borrower may:
  - (i) at any time during the period in which:
    - (A) it is entitled to cure a breach of "*Historical NOI ICR*" (as set out below) or of "*Projected NOI ICR*" (as set out below) in accordance with the section entitled "*Cure rights*" below, apply any Covenant Breach Cure Payment in prepayment of the whole or any part of the Issuer/Borrower Loans as contemplated by the section entitled "*Cure rights*" below;
    - (B) the Mezzanine Cure Loan Noteholders are entitled to cure a breach of "*Historical NOI ICR*" (as set out below) or of "*Projected NOI ICR*" (as set out below) or to cure a Control Valuation Event, apply the proceeds of any Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment or Control Valuation Event Cure Payment received from the Mezzanine Loan Note Issuer from the proceeds of any issue of Mezzanine Cure Loan Notes in prepayment of the whole or any part of the Issuer/Borrower Loans in accordance with the Intercreditor Agreement); or
    - (C) the Mezzanine Obligors are entitled to cure a breach of the financial covenants set out in the section entitled "*Description of the Mezzanine Loan Note Agreement*" – "*Historical Whole Loan Debt Yield and Projected Whole Loan Debt Yield*", apply any Mezzanine Covenant Breach Cure Payment in prepayment of the whole or any part of the Issuer/Borrower Loans as contemplated by the section entitled "*Mezzanine Financial Covenants – Cure rights*" below; and
  - (ii) at any time, apply any Cure Deposit standing to the credit of the Cure Account in prepayment of the whole or any part of the Issuer/Borrower Loans as contemplated by the section entitled "*Cure Account*" below.

Any such amount must be applied in accordance with paragraph (b) above.

- (d) The Borrower may, at any time, apply any amount standing to the credit of the Lock-Up Account in prepayment of the whole or any part of any Issuer/Borrower Loan as

contemplated by the section entitled "*Application of funds in the Lock-Up Account*" below and any such amount must be applied in accordance with paragraph (b) above.

- (e) The Borrower may, by noon on any Distribution Date, apply any amount standing to the credit of the Defeasance Account in prepayment of the whole or any part of the Issuer/Borrower Loans that is/are defeased by such amounts as contemplated by the section entitled "*Application of funds in the Defeasance Account*" below and any such amount must be applied in accordance with paragraph (b) above.
- (f) Any prepayment of the Issuer/Borrower Loans under this "*Voluntary prepayments of the Issuer/Borrower Loans*" section will fall under limb (a) of the definition of Redemption Percentage, unless expressly stated otherwise under the section entitled "*Defeasance Account*" below.

#### **VOLUNTARY PREPAYMENTS FOR GROSS-UP BY BORROWER**

The Borrower may notify, at least 5 Business Days before making such prepayment, the Issuer of its intention to prepay an Issuer/Borrower Loan (together with accrued interest, Repayment Costs and associated costs) in whole as a consequence of the Borrower or any other Obligor being required to increase payments to the Issuer in respect of such Issuer/Borrower Loan as a result of the imposition of a requirement to deduct or withhold tax from such payments. Such prepayment must be made in accordance with paragraph (a) above under the section entitled "*Voluntary prepayment of the Issuer/Borrower Loans*" and applied in accordance with paragraph (b) under the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*" above.

#### **MANDATORY PREPAYMENTS**

##### **MANDATORY PREPAYMENT DUE TO ILLEGALITY IN RESPECT OF THE NOTES OR THE ISSUER/BORROWER LOAN**

If, by reason of a change of law (or the application or official interpretation thereof) (as referred to in paragraph (a)(ii) of Condition 7.3 (Optional redemption for taxation or other reasons)), it has become or will become unlawful for the Issuer to perform any of its obligations as contemplated by the Issuer/Borrower Loan Agreement or the Conditions and the Notes or to make, fund or allow to remain outstanding any Issuer/Borrower Loans (and the Issuer gives notice to the Note Trustee and the Noteholders that it will redeem the Notes in full pursuant to paragraph (a)(ii) of Condition 7.3 (Optional redemption for taxation or other reasons) of the Initial Notes and, as the context so requires, the corresponding provision of any Further Notes, Replacement Notes or New Notes) then:

- (a) the Issuer must, at the same time as it gives notice to redeem the Notes in accordance with the Conditions, notify the Borrower that such notice has been given (with a copy of the relevant redemption notice given under the Conditions); and
- (b) the Borrower must prepay the relevant Issuer/Borrower Loan (together with accrued interest, Repayment Costs and associated costs) in whole (and not in part) to the Issuer by noon on the next succeeding Distribution Date after the Issuer has notified the Borrower pursuant to paragraph (a) above or, if earlier, the date specified by the Issuer in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

##### **MANDATORY PREPAYMENT FOR WITHHOLDING ON NOTES**

If the Issuer gives notice to redeem all (but not some only) of the Notes as a result of a change in tax laws (as referred to in paragraph (a)(i) of Condition 7.3 (Optional redemption for taxation or other

reasons) of the Initial Notes and, as the context so requires, the corresponding provision of any Further Notes, Replacement Notes or New Notes), then:

- (a) the Issuer must, at the same time as it gives notice to redeem the Notes in accordance with the Conditions, notify the Borrower that such notice has been given (with a copy of the relevant redemption notice given under the Conditions); and
- (b) the Borrower must prepay the relevant Issuer/Borrower Loan (together with accrued interest, Repayment Costs and associated costs) in whole (and not in part) to the Issuer by noon on the next succeeding Distribution Date after the Issuer has notified the Borrower pursuant to paragraph (a) above.

## **DEEMED PREPAYMENT UPON PURCHASE OF NOTES BY OBLIGORS**

The Obligors (including the Borrower) may, at their discretion, prior to the delivery of an Obligor Enforcement Notice, use amounts standing to the credit of the Defeasance Accounts or amounts made available to it by way of equity or Subordinated Debt to purchase Notes and/or any Further Notes, New Notes or Replacement Notes (in the case of amounts standing to the credit of the Defeasance Account, see "*Defeasance Account*" below for more details).

Such Notes, Further Notes, Replacement Notes or New Notes (as well as any other Notes, Further Notes, Replacement Notes or New Notes purchased by an Obligor) will be surrendered by that Obligor to the Issuer for cancellation in accordance with the Conditions of the Notes or the terms and conditions of such Further Notes, New Notes or Replacement Notes (as applicable). Upon such cancellation, an amount of the relevant Issuer/Borrower Loan equal to the Principal Amount Outstanding of the Notes or such Further Notes, Replacement Notes or New Notes (as applicable) (as at the date they are cancelled) will be treated as having been prepaid in accordance with the Issuer/Borrower Loan Agreement.

## **OTHER MANDATORY PREPAYMENTS**

*Mandatory prepayments (other than following a disposal of a Property)*

1. The following amounts will be applied by the Obligors as follows:
  - (a) subject to the provisions of the Issuer/Borrower Loan Agreement, the amount of any Net Disposal Minimum Proceeds will be applied in accordance with the section entitled "*Mandatory prepayment following disposal of a property*" (see the section entitled "*Disposal Accounts*" for further details) (any prepayment using such funds will fall under limb (a) of the definition of Redemption Percentage);
  - (b) the amount of any Lease Proceeds, will be applied in accordance with the Prepayment Rule;
  - (c) the amount of any Insurance Prepayment Proceeds will be applied in accordance with the Prepayment Rule;
  - (d) the amount of any Compensation Prepayment Proceeds will be applied in accordance with the section entitled "*Compensation Prepayment Proceeds*" below;
  - (e) the amount of any Recovery Prepayment Proceeds will be applied in accordance with the Prepayment Rule;

- (f) the amount of any Hedging Prepayment Proceeds will be applied in accordance with the Prepayment Rule;
- (g) amounts required to be withdrawn from the Cure Account to prepay the Issuer/Borrower Loan, will be applied in accordance with the Prepayment Rule (see the section entitled "*Cure Account*" for details) (any prepayment under this provision from amounts paid into the Cure Account to cure a breach of any Mezzanine Financial Covenant Ratio Breach will fall under limb (a) of the definition of Redemption Percentage and, for the avoidance of doubt, any prepayment under this section from amounts paid into the Cure Account to cure a breach of any Financial Covenant Ratio Breach will fall under limb (b) of the definition of Redemption Percentage);
- (h) amounts required to be withdrawn from the Lock-Up Account (see the section entitled "*Lock-Up Account*" for details), will be applied in accordance with the Prepayment Rule (any prepayment under this section from amounts paid into the Lock-Up Account from the disposal of a Property or an Obligor will fall under limb (a) of the definition of Redemption Percentage);
- (i) following the occurrence of a Trigger Event which is continuing, amounts required to be withdrawn from the Disposal Accounts will be applied in accordance with the relevant paragraph of the section entitled "*Disposal Accounts*" (any prepayment using such funds will fall under limb (a) of the definition of Redemption Percentage); and
- (j) following the occurrence of a Trigger Event which is continuing, amounts required to be withdrawn from the Deposit Accounts (see the section entitled "*Deposit Accounts*" for details) will be applied in accordance with the Prepayment Rule.

2. Following the delivery of an Obligor Enforcement Notice, but prior to the delivery of an Obligor Acceleration Notice, all amounts standing to the credit of:

- (a) the Disposal Accounts;
- (b) the Deposit Accounts;
- (c) the Lock-Up Account; and
- (d) the Cure Account,

shall be applied on by noon on each Distribution Date, or at the discretion of the Obligor Security Trustee, on any other Business Day in or towards:

- (i) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement); and
- (ii) **secondly**, prepayment of the Issuer/Borrower Loans (together with all amounts required to be paid by the Borrower).

3. Following delivery of an Obligor Enforcement Notice all amounts standing to the credit of the Defeasance Account shall be applied in prepayment of each relevant Issuer/Borrower Loan that is defeased by the monies standing to the credit of the Defeasance Account (in each

case, together with all amounts required to be paid by the Obligors in connection with such prepayment).

*Mandatory prepayment following disposal of a property*

The amount of any Net Disposal Minimum Proceeds shall be applied as follows:

- (a) if no Trigger Event is then continuing:
  - (i) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement);
  - (ii) **secondly**, in an amount equal to the Senior Required Redemption Amount (to be applied in accordance with paragraph (A), (B) or (C) below in accordance with the Borrower's sole discretion):
    - (A) in or towards prepayment of any Issuer/Borrower Loan (together with all other amounts required to be paid by the Borrower) or making a deposit into the Defeasance Account in respect of such Issuer/Borrower Loan;
    - (B) in or towards making a tender offer for the Notes (and paying any related fees to the Noteholders) in a minimum amount of £5,000,000, provided that if insufficient Noteholders participate in such tender offer within 45 Business Days of such tender offer, the remaining amounts shall be applied in accordance with paragraph (A) above by noon on the next Distribution Date; or
    - (C) to hold on deposit in the relevant Disposal Account in accordance with paragraphs (a)(ii) and (b) of the section entitled "*Disposal Accounts*";
  - (iii) **thirdly**:
    - (A) if amounts are applied pursuant to paragraph ((ii)(A)) or ((ii)(B)) above, in an amount equal to the Mezzanine Required Redemption Amount to the Mezzanine Prepayment Account; or
    - (B) if amounts are applied pursuant to paragraph ((ii)(C)) above, an amount equal to the Mezzanine Required Redemption Amount will be held in the Disposal Account in accordance with paragraphs (a)(ii) and (b) of the section entitled "*Disposal Accounts*";
  - (iv) **fourthly**, any surplus to be transferred to the relevant Propco's General Account;
- (b) if a Trigger Event is then continuing, but no Payment Stop Notice is then outstanding:
  - (i) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement);

- (ii) **secondly**, in an amount equal to the Senior Required Redemption Amount (to be applied in accordance with paragraph (A) or (B) below in accordance with the Borrower's sole discretion):
    - (A) in or towards prepayment of any Issuer/Borrower Loan (together with all other amounts required to be paid by the Borrower or making a deposit into the Defeasance Account; or
    - (B) in or towards making a tender offer for the Notes (and paying any related fees to the Noteholders) in a minimum amount of £5,000,000, provided that if insufficient Noteholders participate in such tender offer within 45 Business Days of such tender offer, the remaining amounts shall be applied in accordance with paragraph (A) above by noon on the next Distribution Date;
  - (iii) **thirdly**, in an amount equal to the Mezzanine Required Redemption Amount to the Mezzanine Prepayment Account; and
  - (iv) **fourthly**, any surplus to be transferred to the Lock-Up Account and applied in accordance with the provisions described in the section entitled "*Lock-Up Account*";
- (c) if a Payment Stop Notice is then outstanding:
- (i) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement);
  - (ii) **secondly**, in an amount equal to the Senior Required Redemption Amount and the Mezzanine Required Redemption Amount (to be applied in accordance with (A) or (B) below in accordance with the Borrower's sole discretion):
    - (A) in or towards prepayment of any Issuer/Borrower Loan (together with all amounts required to be paid by the Borrower or making a deposit into the Defeasance Account; or
    - (B) in or towards making a tender offer for the Notes (and paying any related fees to the Noteholders) in a minimum amount of £5,000,000, provided that if insufficient Noteholders participate in such tender offer within 45 Business Days of such tender offer, the remaining amounts shall be applied in accordance with paragraph (A) above by noon on the next Distribution Date; and
  - (iii) **thirdly**, any surplus to be transferred to the Lock-Up Account and applied in accordance with the provisions described in the section entitled "*Lock-Up Account*".

#### *Compensation Prepayment Proceeds*

The amount of any Compensation Prepayment Proceeds shall be applied on the date provided for in the section entitled "*Application of funds in the Deposit Accounts*" as follows:

- (a) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement);

- (b) **secondly**, in an amount up to the Senior Required Redemption Amount (together with accrued interest, Repayment Costs and any other amounts that are payable or will become payable by the Borrower to the Issuer), at the Borrower's discretion, in or towards:
  - (i) prepayment of any Issuer/Borrower Loan (together with payment of all accrued interest, Repayment Costs and any other amounts that are payable or will become payable by the Borrower to the Issuer) or (provided that no Obligor Enforcement Notice is outstanding) making a deposit into the Defeasance Account in respect of such Issuer/Borrower Loan; or
  - (ii) (provided that no Obligor Enforcement Notice is outstanding) making a tender offer for the Notes (and paying any related fees to the Noteholders) in a minimum amount of £5,000,000, provided that if insufficient Noteholders participate in such tender offer within 45 Business Days of such tender offer, the remaining amounts shall be applied in accordance with paragraph (b)(i) above by noon on the next Distribution Date; and
- (c) **thirdly**, payment into the Mezzanine Prepayment Account and applied in or towards prepayment of, first the Mezzanine Cure Loan Notes and secondly, the Mezzanine Loan Notes (in each case, together with all amounts requires to be paid by the Mezzanine Loan Note Issuer under the Mezzanine Loan Note Agreement in respect of such prepayment).

#### *Prepayment Rule*

The **Prepayment Rule** requires amounts to be applied:

- (a) **firstly**, payment of the Ongoing Issuer/Borrower Facility Fee to the Issuer in an amount sufficient to enable the Issuer to prepay and/or repay the Issuer Liquidity Facility in full (if drawn) (together with accrued interest and any related break costs the Issuer is required to pay under the Issuer Liquidity Facility Agreement);
- (b) **secondly**, at the Borrower's discretion, in or towards:
  - (i) prepayment of any Issuer/Borrower Loan (together with payment of all accrued interest, Repayment Costs and any other amounts that are payable or will become payable by the Borrower to the Issuer) or (provided that no Obligor Enforcement Notice is outstanding) making a deposit into the Defeasance Account in respect of such Issuer/Borrower Loan; or
  - (ii) (provided that no Obligor Enforcement Notice is outstanding) making a tender offer for the Notes (and paying any related fees to the Noteholders) in a minimum amount of £5,000,000, provided that if insufficient Noteholders participate in such tender offer within 45 Business Days of such tender offer, the remaining amounts shall be applied in accordance with paragraph (b)(i) above by noon on the next Distribution Date; and
- (c) **thirdly**, following the Senior Discharge Date only, payment into the Mezzanine Prepayment Account and applied in or towards prepayment of, first the Mezzanine Cure Loan Notes and secondly, the Mezzanine Loan Notes (in each case, together with all amounts requires to be paid by the Mezzanine Loan Note Issuer under the Mezzanine Loan Note Agreement in respect of such prepayment).

## *Miscellaneous*

- (a) Any notice of prepayment given by any party shall be irrevocable and, unless a contrary indication appears in the Issuer/Borrower Loan Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.
- (b) Any prepayment of an Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement shall be made together with accrued interest on the amount prepaid, accrued but unpaid Issuer/Borrower Facility Fee and Repayment Costs and subject to any Break Costs and amounts (if any) payable under any Hedging Agreements in connection with that prepayment, without premium or penalty. Any such amounts relating to a prepayment of the Issuer/Borrower Loan made on a Distribution Date will be calculated as though the prepayment was made on the Loan Interest Payment Date immediately following such Distribution Date.
- (c) The Borrower cannot re-borrow any part of the Issuer/Borrower Facility which is prepaid.
- (d) The Borrower shall not repay or prepay all or any part of the Issuer/Borrower Loans except at the times and in the manner expressly provided for in the Issuer/Borrower Loan Agreement.
- (e) Notwithstanding paragraph (b) above, if a prepayment on an Issuer/Borrower Loan is due to be made or is made, in the three Business Days prior to a Loan Interest Payment Date (other than on a Distribution Date), such prepayment will be made with all Repayment Costs to the end of the Loan Interest Period immediately following the Loan Interest Period in which such prepayment was made.
- (f) Any prepayment of the Issuer/Borrower Loans as referred to in the section entitled “*Other mandatory prepayments*” above (other than as referred to in paragraph 3 of the section entitled “*Mandatory Prepayments (other than following a disposal of a Property)*”) must be applied against all of the outstanding Issuer/Borrower Loans pro rata.
- (g) Any reference in this “*Mandatory prepayments*” section to the Issuer prepaying and/or repaying the Issuer Liquidity Facility in full will not apply to an Issuer Liquidity Standby Loan unless otherwise required under the terms of the Issuer/Borrower Loan Agreement or the Issuer Transaction Documents.

## **ACCOUNTS**

### **OBLIGOR ACCOUNTS**

The Borrower Holdco may, from time to time, establish and maintain a deposit account designated the **Borrower Holdco General Account**.

The Borrower will establish:

- (a) on or prior to the Closing Date, and will maintain:
  - (i) a deposit account designated the **Defeasance Account**;
  - (ii) a deposit account designated the **Lock-Up Account**;
  - (iii) a deposit account designated the **Cure Account**; and
  - (iv) a deposit account designated the **Borrower General Account**; and



- (b) as and when required, a deposit account in respect of any relevant Hedge Counterparty designated a **Borrower Hedge Collateral Account**.

Each Obligor Holdco may, from time to time, establish and maintain a deposit account designated (in relation to Obligor Holdco 1) the **Obligor Holdco 1 General Account** and (in relation to Obligor Holdco 2) the **Obligor Holdco 2 General Account** (the Obligor Holdco 1 General Account and the Obligor Holdco 2 General Account, together, the **Obligor Holdco General Accounts**).

Each Propco will establish, on or prior to the Closing Date, and will maintain:

- (a) a deposit account designated the **Rent Account**;
- (b) a deposit account designated the **Deposit Account**;
- (c) a deposit account designated the **Disposal Account**; and
- (d) a current account designated the **General Account**.

Each Management Company will establish, on or prior to the Closing Date, and will maintain:

- (a) an account designated the **Management Company General Account**;
- (b) an operating income account designated the **Operating Income Account**; and
- (c) a sinking fund account designated the **Sinking Fund Account**.

Each Luxembourg Obligor may open and maintain an account with ING Luxembourg SA for the purposes of holding share capital contributions made to it by its shareholders (each such account, a **Luxembourg Share Capital Account**).

No Obligor may, without the prior written consent of the Issuer, maintain any other bank account other than an Obligor Account.

#### ***Obligor Account Bank***

- (a) Subject to paragraphs (c) and (d) below, each Obligor Account (other than the Luxembourg Share Capital Accounts) must be held in the UK at Barclays Bank PLC or a bank which holds the Required Ratings and which is appointed in accordance with the Obligor Account Bank Agreement.
- (b) If the Obligor Account Bank does not at any time hold the Required Ratings, the Obligors must replace the Obligor Account Bank in accordance with the Obligor Account Bank Agreement.
- (c) An Obligor Account must be replaced with a bank account at the same or another bank at any time if the Issuer so requests (acting reasonably).
- (d) The replacement of an Obligor Account only becomes effective when the relevant bank agrees with the Issuer and the Obligors, in a manner satisfactory to the Issuer, to fulfil the role of the bank holding that Obligor Account.

#### **1. Facility Manager Client Accounts**

The Obligors shall ensure that each Facility Manager shall maintain a rent collection account (each, a **Facility Manager Client Account**) into which all Rental Income is collected. A trust

will be declared over each Facility Manager Client Account in favour of, *inter alios*, the relevant Management Companies in relation to those amounts attributable to the Properties which are leased by the Management Companies, in the form of a Facility Manager Client Account Declaration of Trust.

Each Management Company must ensure that:

- (a) Derwent transfers on a regular basis (provided such transfer occurs at least once a month), subject to a retention of a maximum of £50,000 per month per Property to cover certain Adjusted Approved Operating Costs as permitted and/or required pursuant to the relevant Facility Management Agreement, all amounts standing to the credit of the relevant Derwent Client Account to the relevant Management Company General Account;
- (b) Sulets transfers, subject to a retention to cover certain Adjusted Approved Operating Costs as permitted and/or required pursuant to the relevant Facility Management Agreement, all amounts standing to the credit of the Sulets Client Account (within 14 days of receiving cleared funds in such account) to the relevant Management Company General Account (provided that no transfer is required if the balance in the Sulets Client Account prior to such transfer is less than £5,000); and
- (c) any other Facility Manager transfers all amounts standing to its Facility Manager Client Account in a manner and at a time agreed to by the Issuer.

## **2. Management Company General Accounts**

The relevant Management Company has sole signing rights in relation to each Management Company General Account.

### *Funds to be deposited into the Management Company General Accounts*

Each Management Company must ensure that:

- (a) Certain amounts from the Facility Manager Client Accounts will be deposited in the Management Company General Accounts (see the section entitled "*Obligor Account Bank*" above);
- (b) Rental Income from commercial lettings and Rolling Agreements in relation to the Properties and any related service charges will be deposited directly by the relevant tenant into the relevant Management Company General Account; and
- (c) Any ancillary income from the Properties (including, without limitation, income generated from vending machines and launderettes) will be deposited into the relevant Management Company General Account.

Each Management Company of a Leicester Property may at any time transfer moneys from its Operating Income Account into its Management Company General Account (to cover any payment required to be made by that Management Company to the Derwent Client Account to cover certain Adjusted Approved Operating Costs to be paid by Derwent).

*Application of funds in the Management Company General Accounts*

- (d) Each Management Company will, no later than the 20<sup>th</sup> day of each month:
  - (i) transfer from its Management Company General Account 97 per cent. of Net Operating Income from the preceding month into its Operating Income Account;
  - (ii) transfer from its Management Company General Account one twelfth of the Sinking Fund Amount relating to its Property into its Sinking Fund Account; and
  - (iii) to the extent that there is a shortfall in the amount standing to the credit of the relevant Operating Income Account required to make a payment of Management Company Leases Rent due that month, transfer an amount equal to such shortfall from any Management Company General Account into the relevant Operating Income Account.
- (e) Each Management Company can pay Adjusted Approved Operating Costs from funds standing to the credit of its Management Company General Account.
- (f) A Management Company of a Leicester Property can transfer funds from its Management Company General Account to the Derwent Client Account to cover certain Adjusted Approved Operating Costs to be paid by Derwent.
- (g) At any time when an Obligor Event of Default is continuing, the Obligor Security Trustee may:
  - (i) operate each Management Company General Account;
  - (ii) notify each Management Company that its rights to operate its Management Company General Account are suspended, such notice to take effect in accordance with its terms; and
  - (iii) withdraw from, and apply amounts standing to the credit of, each Management Company General Account in or towards any purpose for which monies in any Obligor Account may be applied.

**3. Operating Income Accounts**

Each Management Company has signing rights in relation to its Operating Income Account.

*Funds to be deposited into the Operating Income Accounts*

Certain amounts from the Management Company General Accounts will be deposited in the Operating Income Accounts (see the section entitled "*Management Company General Accounts*" above).

*Application of funds in the Operating Income Accounts*

- (a) Each month, each Management Company must withdraw from, and transfer from its Operating Income Account the amount deposited pursuant to paragraph (d)(i) under the subsection entitled "*Application of funds in the Management Company General Accounts*" into the relevant Rent Account. If there is a shortfall in an Operating Income Account to cover any Management Company Leases Rent, surplus funds

from another Operating Income Account (or a Management Company General Account) must be used to ensure such payment is made.

- (b) To the extent that there is a surplus as of a Rent Payment Date (following payment of the Management Company Leases Rent on such day) in the amount standing to the credit of an Operating Income Account (**Rent Payment Surplus**), provided that no Obligor Event of Default and no Trigger Event has occurred and is continuing, each Management Company shall transfer an amount equal to the Rent Payment Surplus (if any) from its Operating Income Account to its Management Company General Account.
- (c) Each Management Company of a Leicester Property may at any time transfer monies from its Operating Income Account into its Management Company General Account (to cover any payment required to be made by that Management Company to the Derwent Client Account to cover certain Adjusted Approved Operating Costs to be paid by Derwent).
- (d) At any time when an Obligor Event of Default is continuing, the Obligor Security Trustee may:
  - (i) operate each Operating Income Account;
  - (ii) notify each Management Company that its rights to its Operating Income Accounts are suspended, such notice to take effect in accordance with its terms; and
  - (iii) withdraw from, and apply amounts standing to the credit of, each Operating Income Account in or towards any purpose for which monies in any Obligor Account may be applied.
- (e) Each Management Company can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to its Operating Income Account from its Operating Income Account.

#### **4. Sinking Fund Accounts**

Each Management Company shall have signing rights in relation to its Sinking Fund Account.

##### *Funds to be deposited into the Sinking Fund Accounts*

No later than the 20<sup>th</sup> day of each month, each Management Company will transfer from its Management Company General Account one twelfth of the Sinking Fund Amount relating to its Property into its Sinking Fund Account.

##### *Application of funds in the Sinking Fund Accounts*

Each Management Company may withdraw from its Sinking Fund Account (and each Management Company can withdraw from the Sinking Fund Account of each other Management Company) amounts to pay for Maintenance Capex up to the Approved Capital Expenditure Amounts. The Management Companies may only withdraw any amounts in excess of the Approved Capital Expenditure Amounts (in aggregate across all of the Sinking Fund Accounts), provided that such additional Maintenance Capex amounts are Adjusted Approved Capital Expenditure Amounts.

At any time when an Obligor Event of Default is continuing, the Obligor Security Trustee may:

- (i) operate each Sinking Fund Account;
- (ii) notify each Management Company that its rights to operate its Sinking Fund Account are suspended, such notice to take effect in accordance with its terms; and
- (iii) withdraw from, and apply amounts standing to the credit of, each Sinking Fund Account in or towards any purpose for which monies in any Obligor Account may be applied.

Each Management Company can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to its Sinking Fund Account from its Sinking Fund Account (but will ensure that an amount equal to each such payment to the Obligor Account Bank is deposited into the relevant Sinking Fund Account within 5 Business Days of such payment being made).

## **5. Rent Accounts**

The Obligor Security Trustee has sole signing rights in relation to each Rent Account.

### *Funds to be deposited into the Rent Accounts*

- (a) Each Propco will ensure that, except to the extent that amounts are otherwise required to be deposited into another Obligor Account pursuant to the terms of the Issuer/Borrower Loan Agreement (and except for amounts representing VAT payable by tenants in respect of Lease Documents, which are required to be paid into the Propco's General Account), all amounts received by it from the Management Companies or otherwise shall be deposited promptly into its Rent Account.
- (b) The Borrower will deposit an amount equal to:
  - (i) £666,667 in each Rent Account (£2,000,000 in aggregate across all of the Rent Accounts) and will credit such amount to the applicable Seasonality Ledger of such Rent Account on the Closing Date; and
  - (ii) an amount required by the Issuer, in the Rent Account in the name of the relevant Propco, and will credit such amount to the applicable Seasonality Ledger of such Rent Account, on each date an Incoming Property that is owned by that Propco becomes a Property.

### *Application of funds in the Rent Accounts*

The Obligor Security Trustee will apply the funds standing to the credit of each Rent Account, on an aggregate basis:

- (a) prior to the service of an Obligor Enforcement Notice or an Obligor Acceleration Notice, by noon on each Distribution Date, in accordance with the Borrower Pre-Enforcement Pre-Acceleration Payment Priority;
- (b) following the service of an Obligor Enforcement Notice but prior to the service of an Obligor Acceleration Notice, on any date, in accordance with the Borrower Post-Enforcement Pre-Acceleration Payment Priority; and

- (c) following the service of an Obligor Acceleration Notice, on any date, in accordance with the Borrower Post-Enforcement Post-Acceleration Payment Priority.

The Borrower will notify the Obligor Security Trustee and the Servicer (in writing at least three Business Days prior to each Distribution Date) of the allocation between Rent Accounts (and hence between the Propcos) of the aggregate interest and other amounts payable by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement in respect of the Loan Interest Payment Date immediately following such Determination Date. In the event that the Borrower gives such a notice in respect of a Loan Interest Payment Date then, without prejudice to the Obligors' obligation to pay interest and other amounts under the Issuer/Borrower Loan Agreement, the Obligor Security Trustee shall withdraw from and apply amounts standing to the credit of the Rent Accounts in payment of interest in respect of that Loan Interest Payment Date in accordance with the allocation between Rent Accounts (and hence between Propcos) specified in such notice; however, for the avoidance of doubt, notwithstanding any such allocation between Rent Accounts, each of the Obligors shall continue to be liable for the obligations of the Borrower under the Issuer/Borrower Loan Agreement.

Subject to the requirements described in the section entitled "*Seasonality Ledger*" below if there are insufficient funds in one Rent Account to make all payments required to be made from that Rent Account pursuant to the relevant Borrower Payment Priorities, funds in the other Rent Account will be used to make such payments.

#### *Seasonality Ledger*

If the amount standing to the credit of the relevant Rent Account at the end of each calendar month is higher than the relevant Average Budgeted Rent for that calendar month for the Properties owned by the relevant Propco which holds such Rent Account, such excess amount (as notified to the Obligor Security Trustee by the Borrower (such amount to be approved by the Servicer prior to such notification being given to the Obligor Security Trustee)) shall be transferred by the Obligor Security Trustee to the Seasonality Ledger of that Rent Account (and for the avoidance of doubt shall not be applied in accordance with the Borrower Payment Priorities, unless required to be so applied by the below paragraph).

To the extent that there is any shortfall in the relevant Rent Account to make any payments in respect of a Loan Interest Payment Date, the Obligor Security Trustee will apply any amounts standing to the credit of the Seasonality Ledger (in an amount no greater than the shortfall in the Rent Account) in the same manner as the other funds in that Rent Account are applied.

Any amounts standing to the credit of the Seasonality Ledger will, at the discretion of the Borrower, be released into the relevant Propco's General Account annually not earlier than one Business Day and no later than five Business Days following the Loan Interest Payment Date falling in June of the relevant year, provided that no Trigger Event and/or Obligor Event of Default has occurred and is continuing or would result from such transfer.

## **6. Deposit Accounts**

The Obligor Security Trustee has sole signing rights in relation to each Deposit Account.

#### *Funds to be deposited into the Deposit Accounts*

Each Obligor must ensure that:

- (a) all Lease Proceeds;
- (b) all Insurance Deposit Proceeds;
- (c) all Compensation Prepayment Proceeds (together with all other amounts, including without limitation, Repayment Costs, required to be paid by the Borrower in connection with such Compensation Prepayment Proceeds being applied in prepayment of the Issuer/Borrower Loans);
- (d) all Hedging Prepayment Proceeds;
- (e) all Recovery Prepayment Proceeds; and
- (f) all Excluded Recovery Proceeds,

are promptly upon receipt paid into its Deposit Account.

*Application of funds in the Deposit Accounts*

- (a) Subject to the other provisions of this section entitled "*Application of funds in the Deposit Accounts*", by noon on each Distribution Date, or earlier at the request of the Borrower if it gives not less than five Business Days' notice to the Issuer, the Obligor Security Trustee must withdraw from, and apply:
  - (i) all amounts standing to the credit of the Deposit Accounts (other than (A) Qualifying Excluded Insurance Proceeds and (B) any Recovery Prepayment Proceeds and Lease Proceeds deposited into the Deposit Accounts to the extent such amounts are equal to or less than £1,000,000 in aggregate since the Closing Date); and
  - (ii) Recovery Prepayment Proceeds and Lease Proceeds standing to the credit of the Deposit Accounts, to the extent that such amounts exceed £1,000,000 in aggregate since the Closing Date,

in accordance with the Prepayment Rule (or in relation to Compensation Prepayment Proceeds, in accordance with the section entitled "*Compensation Prepayment Proceeds*" above), as applicable.
- (b) If the Borrower gives the Issuer and the Obligor Security Trustee not less than ten Business Days' notice accompanied by such evidence as the Obligor Security Trustee (and/or the Issuer) reasonably requires in relation to the application of amounts of Qualifying Excluded Insurance Proceeds for the purposes described in paragraph (a) or (b) of the definition of Excluded Insurance Proceeds (including evidence that such amounts will be applied promptly following receipt and that such amounts are Qualifying Excluded Insurance Proceeds), the Obligor Security Trustee must withdraw the relevant amount of Qualifying Excluded Insurance Proceeds from the Deposit Accounts and deposit them into the related Propco's General Account to be applied by the Propco for that purpose.
- (c) If the Borrower gives the Issuer and the Obligor Security Trustee not less than ten Business Days' notice accompanied by such evidence as the Obligor Security Trustee (and/or the Issuer) reasonably requires in relation to the application of the amounts for the purposes described in paragraph (a) or (b) of the definition of Excluded Recovery Proceeds (including evidence that such amounts will be applied

promptly following receipt), the Obligor Security Trustee must withdraw the relevant amount of Excluded Recovery Proceeds from the Deposit Accounts and deposit them into the related Propco's General Account to be applied by the Propco for that purpose.

- (d) If a Trigger Event occurs and is continuing, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Deposit Accounts (including Qualifying Excluded Insurance Proceeds which have been in a Deposit Account for less than three years and all Excluded Recovery Proceeds which have been standing to the credit of the Deposit Account for less than 90 days) and apply those amounts by noon on the next Distribution Date in accordance with the Prepayment Rule.
- (e) Following the delivery of an Obligor Enforcement Notice, but prior to the delivery of an Obligor Acceleration Notice, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Deposit Accounts and apply those amounts in accordance with paragraph 2(b) of the provisions described in the section entitled "*Mandatory prepayment (other than following a disposal of a Property)*".
- (f) The Obligor Security Trustee is obliged to make a withdrawal from the Deposit Accounts in accordance with paragraphs (b) and (c) above only if no Obligor Default is continuing or would result from that payment.
- (g) Each Propco can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to its Deposit Account from its Deposit Account (but will ensure that an amount equal to each such payment to the Obligor Account Bank is deposited into the relevant Deposit Account within 5 Business Days of such payment being made).

## **7. Disposal Accounts**

The Obligor Security Trustee has sole signing rights in relation to each Disposal Account.

### *Funds to be deposited into the Disposal Accounts*

Each Propco must ensure that on the date of the disposal of any Property or the shares in an Obligor which owns a Property, the Net Disposal Minimum Proceeds are deposited into its Disposal Account.

### *Application of funds in the Disposal Accounts*

- (a) If no Trigger Event is then continuing, following receipt of an amount into a Disposal Account, the Obligor Security Trustee will by noon on the Distribution Date following such receipt:
  - (i) or earlier at the request of the Borrower if it gives not less than five Business Days' notice to the Issuer, withdraw from the relevant Disposal Account such amount and apply such amount in accordance with paragraph (a) of the section entitled "*Mandatory prepayment following disposal of a property*"; and
  - (ii) in its discretion, in relation to paragraphs (a)(ii)(C) and (a)(iii)(B) under the section entitled "*Mandatory prepayment following disposal of a property*" above, leave the amount that would have been applied in accordance with such provisions on deposit in the relevant Disposal Account (credited to a



separate ledger of the relevant Disposal Account) so that it may be applied for the purposes of:

- (A) an acquisition of a Property, provided that the Loan to Value Ratio following the acquisition, is equal to or lower than the Loan to Value Ratio immediately prior to the acquisition; or
  - (B) funding of Enhancement Capex, as further described in the section entitled "*Development, alterations and Enhancement Capex*".
- (b) If an amount deposited into a Disposal Account and kept in that Disposal Account in accordance with paragraph (a)(ii) above is not used for the purposes set out in paragraphs (a)(ii)(A) or (a)(ii)(B) above within 12 months of receipt of such amount in the relevant Disposal Account, such amount shall be applied by the Obligor Security Trustee by noon on the next Distribution Date in accordance with:
  - (i) if no Trigger Event is then continuing, prepaying the Issuer/Borrower Loan or making an offer for the Notes in relation to the Senior Required Redemption Amount (or a *pro rata* amount thereof), and transferring an amount to the Mezzanine Prepayment Account in relation to the Mezzanine Required Redemption Amount (or a *pro rata* amount thereof) (in each case, in accordance with the relevant provisions of paragraph (a) of the section entitled "*Mandatory prepayment following disposal of a property*");
  - (ii) if a Trigger Event is then continuing but no Payment Stop Notice is then outstanding, prepaying the Issuer/Borrower Loan or making an offer for the Notes in relation to the Senior Required Redemption Amount (or a *pro rata* amount thereof), and transferring an amount to the Mezzanine Prepayment Account in relation to the Mezzanine Required Redemption Amount (or a *pro rata* amount thereof) (in each case, in accordance with the relevant provisions of paragraph (b) of the section entitled "*Mandatory prepayment following disposal of a property*"); or
  - (iii) if a Payment Stop Notice is then outstanding, prepaying any Issuer/Borrower Loan or making a deposit into the Defeasance Account or making an offer for the Notes in relation to both the Senior Required Redemption Amount (or a *pro rata* amount thereof) and the Mezzanine Required Redemption Amount (or a *pro rata* amount thereof) (in each case, in accordance with the relevant provisions of paragraph (c) of the section entitled "*Mandatory prepayment following disposal of a property*").

A reference to a *pro rata* amount in this paragraph (b) or in paragraph (c) below will be relevant if, at the time amounts standing to the credit of a Disposal Account are applied in accordance with this paragraph (b) or in paragraph (c) below, some, but not all funds arising from the disposal of one Property have been applied in accordance with paragraph (a)(ii) above. In such circumstance, the Senior Required Redemption Amount and the Mezzanine Required Redemption Amount will be reduced *pro tanto*.

- (c) If an amount is deposited into a Disposal Account in accordance with paragraph a(ii) above and then subsequently a Trigger Event occurs and is continuing, by noon on the next Distribution Date, the Obligor Security Trustee must withdraw such amount standing to the credit of the Disposal Accounts (regardless of whether such amount was deposited into the relevant Disposal Account prior to the occurrence of such

Trigger Event or whether such amount has been in the relevant Disposal Account for less than 12 months) and will apply such amount in prepayment of the Issuer/Borrower Loans in accordance with:

- (i) if a Trigger Event is then continuing but no Payment Stop Notice is outstanding, paragraph (b)(ii)(A) or (b)(ii)(B) of the section entitled "*Mandatory Prepayments following a disposal of a Property*" above in relation to the Senior Required Redemption Amount (or a *pro rata* amount thereof), and paragraph (b)(iii) of the section entitled "*Mandatory prepayment following disposal of a property*" above in relation to the Mezzanine Required Redemption Amount (or a *pro rata* amount thereof; or
  - (ii) if a Payment Stop Notice is then outstanding, paragraph (c)(ii)(A) or (c)(ii)(B) of the section entitled "*Mandatory prepayment following disposal of a property*" above in relation to both the Senior Required Redemption Amount (or a *pro rata* amount thereof) and the Mezzanine Required Redemption Amount (or a *pro rata* amount thereof).
- (d) If a Trigger Event is then continuing (but no Payment Stop Notice is outstanding), following receipt of an amount into a Disposal Account, the Obligor Security Trustee will, by noon on the Distribution Date following such receipt, or earlier at the request of the Borrower if it gives not less than five Business Days' notice to the Issuer, withdraw from the relevant Disposal Account such amount and apply such amount in accordance with paragraph 1(a) of the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*" above.
- (e) If a Payment Stop Notice is then outstanding, following receipt of an amount into a Disposal Account, the Obligor Security Trustee will, by noon on the Distribution Date following such receipt, or earlier at the request of the Borrower if it gives not less than five Business Days' notice to the Issuer, withdraw from the relevant Disposal Account such amount and apply such amount in accordance with paragraph 1(a) of the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*" above.
- (f) Following the delivery of an Obligor Enforcement Notice, but prior to the delivery of an Obligor Acceleration Notice, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Disposal Accounts and apply those amounts in accordance with paragraph 2(a) of the provisions described in the section entitled "*Mandatory prepayment (other than following a disposal of a Property)*".
- (g) Each Propco can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to its Disposal Account from its Disposal Account (but will ensure that an amount equal to each such payment to the Obligor Account Bank is deposited into the relevant Disposal Account within 5 Business Days of such payment being made).

## **8. General Accounts**

Except as provided in paragraph (b) of the section entitled "*Application of funds in the General Accounts*" below, each Propco has signing rights in relation to its General Account.

### *Funds to be deposited into the General Accounts*

Each Propco must ensure that:

- (a) any amounts representing VAT payable by tenants in respect of Lease Documents;
- (b) subject to the provisions described in the section entitled “*Lock-Up Account*” below:
  - (i) any Net Disposal Proceeds that are not Net Disposal Minimum Proceeds,
  - (ii) any Insurance Proceeds that are not Insurance Deposit Proceeds; and
  - (iii) any Compensation Proceeds that are not Compensation Prepayment Proceeds; and
- (c) any other amount received or receivable by it, other than any amount specifically required under the terms of the Issuer/Borrower Loan Agreement to be paid into any other Obligor Account,

are paid into its General Account.

### *Application of funds in the General Accounts*

- (a) Except as provided in paragraph (b) below and subject to:
  - (i) any restriction in the Intercreditor Agreement or the Issuer/Borrower Loan Agreement;
  - (ii) the requirement that amounts paid into a General Account for a particular purpose must be used for that purpose; and
  - (iii) the Borrower certifying to the Issuer, prior to such withdrawal, that no Obligor Default or Trigger Event is outstanding or would result from such withdrawal,

each Propco may withdraw any amount from its General Account and apply such amounts for any purpose (and in particular, but not limited to, for the purpose of Enhancement Capex and Adjusted Approved Operating Costs).

- (b) At any time when a Trigger Event is continuing or an Obligor Default is continuing:
  - (i) amounts deposited in a General Account (whether before or after the occurrence of a Trigger Event) will be transferred to the Rent Account of the relevant Propco;
  - (ii) the Obligor Security Trustee may operate the General Accounts;
  - (iii) the Obligor Security Trustee may notify each Propco that its rights to operate its General Account are suspended, such notice to take effect in accordance with its terms; and
  - (iv) the Obligor Security Trustee may withdraw from, and apply amounts standing to the credit of, the General Accounts in or towards any purpose for which monies in any Obligor Account may be applied.

## 9. Cure Account

The Obligor Security Trustee has sole signing rights in relation to the Cure Account.

### *Funds to be deposited into the Cure Account*

Each Obligor must ensure that:

- (a) any Cure Deposit is deposited in the Cure Account in accordance with the Issuer/Borrower Loan Agreement;
- (b) any Mezzanine Cure Loan Noteholder Cure Deposit is deposited in the Cure Account in accordance with the Intercreditor Agreement; and
- (c) any Mezzanine Cure Deposit is deposited into the Cure Account in accordance with the Mezzanine Loan Note Agreement.

### *Application of funds in the Cure Account*

- (a) On any Test Date on which:
  - (i) a Cure Deposit or a Mezzanine Cure Loan Noteholder Cure Deposit:
    - (A) is standing to the credit of the Cure Account and which was deposited into the Cure Account as a result of a Financial Covenant Ratio Breach on or in respect of the immediately preceding Test Date; and
    - (B) without taking into account amounts standing to the credit of the Cure Account, the Obligors are in compliance with the Financial Covenant Ratios on such Test Date,

the Obligor Security Trustee shall, at the request of the Borrower, by noon on the next Distribution Date falling after that Test Date and provided that:

    - (A) no Obligor Event of Default has occurred and is continuing; and
    - (B) such withdrawal would not result in the occurrence of an Obligor Event of Default,

withdraw that Cure Deposit or Mezzanine Cure Loan Noteholder Cure Deposit, as the case may be, from the Cure Account and apply that amount in accordance with the relevant Borrower Payment Priorities by noon on that Distribution Date; and
  - (ii) a Mezzanine Cure Deposit:
    - (A) is standing to the credit of the Cure Account and which was deposited into the Cure Account as a result of a Mezzanine Financial Covenant Ratio Breach on or in respect of the immediately preceding Test Date; and
    - (B) without taking into account amounts standing to the credit of the Cure Account, the Mezzanine Obligors are in compliance with the sections entitled “*Historical Whole Loan Debt Yield*” and “*Projected Whole Loan Debt Yield*” under the description of the Mezzanine Loan Note

Agreement and the Obligors are in compliance with the Financial Covenant Ratios, in each case, on such Test Date,

the Obligor Security Trustee shall, at the request of the Borrower, by noon on the next Distribution Date falling after that Test Date and provided that:

- (A) no Mezzanine Event of Default or Obligor Event of Default has occurred and is continuing; and
- (B) such withdrawal would not result in the occurrence of a Mezzanine Event of Default or an Obligor Event of Default,

withdraw that Mezzanine Cure Deposit from the Cure Account and apply that amount in accordance with the relevant Borrower Payment Priorities by noon on that Distribution Date.

(b) On any Test Date on which:

(i) a Cure Deposit or a Mezzanine Cure Loan Noteholder Cure Deposit:

- (A) is standing to the credit of the Cure Account and which was deposited into the Cure Account as a result of a Financial Covenant Ratio Breach on or in respect of the immediately preceding Test Date; and
- (B) without taking into account amounts standing to the credit of the Cure Account, the Obligors are in breach of any of the Financial Covenant Ratios on such Test Date; or

(ii) a Mezzanine Cure Deposit:

- (A) is standing to the credit of the Cure Account and which was deposited into the Cure Account as a result of a Mezzanine Financial Covenant Ratio Breach on or in respect of the immediately preceding Test Date; and
- (B) without taking into account amounts standing to the credit of the Cure Account, the Mezzanine Obligors are in breach of the sections entitled "*Historical Whole Loan Debt Yield*" and/or "*Projected Whole Loan Debt Yield*" under the description of the Mezzanine Loan Note Agreement and/or the Obligors are in breach of any of the Financial Covenant Ratios, in each case, on such Test Date,

subject to the provisions described below, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Cure Account and apply those amounts in prepayment of the Issuer/Borrower Loans in accordance with the Prepayment Rule by noon on the next Distribution Date.

At the request of the Borrower, if the Borrower gives the Obligor Security Trustee not less than five Business Days' notice, the Obligor Security Trustee must withdraw from, and apply any Cure Deposit standing to the credit of, any Cure Account in prepayment of the Issuer/Borrower Loans in accordance with the relevant provision described in the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*" above.

Following the service of an Obligor Enforcement Notice, but prior to the delivery of an Obligor Acceleration Notice, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Cure Account and apply those amounts in accordance with paragraph 2 of the provisions described in the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*".

If any mandatory prepayment or voluntary prepayment of the Issuer/Borrower Loans is to be made as described above in this section (other than in respect of a Mezzanine Cure Loan Noteholder Cure Deposit), the Borrower must ensure that, on or before the date of such prepayment, an amount equal to the aggregate of:

- (a) the Associated Prepayment Costs for that prepayment; and
- (b) the amount of any Adjusted Approved Operating Costs that have been paid to the Obligor Account Bank from the Cure Account in the period from the most recent Test Date on or in respect of which amounts were deposited into the Cure Account,

is paid to the Issuer to be applied by the Issuer, together with the amounts withdrawn from the Cure Account, in accordance with the provisions described in the section entitled "*Voluntary prepayments*" above or in accordance with paragraph 1(g) or paragraph 2(d) of the provisions described in the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*", as applicable.

If any mandatory prepayment of the Issuer/Borrower Loans is to be made under as described above in this section using a Mezzanine Cure Loan Noteholder Cure Deposit:

- (a) the Issuer must ensure that the Mezzanine Cure Loan Noteholder Cure Deposit is applied:
  - (i) in an amount equal to the Covenant Breach Cure Payment that comprises that Mezzanine Cure Loan Note Cure Deposit in mandatory prepayment of the Issuer/Borrower Loans; and
  - (ii) in or towards the discharge of all actual Associated Prepayment Costs arising in connection with that mandatory prepayment; and
- (b) if
  - (i) the Issuer (acting reasonably) determines that the Estimated Associated Prepayment Costs for that mandatory prepayment are insufficient to discharge in full the actual Associated Prepayment Costs that will arise in connection with that mandatory prepayment (a **Prepayment Costs Shortfall**) it must promptly notify the Borrower and the Borrower must ensure that, on or before the date of such prepayment, an amount equal to the aggregate of:
    - (A) that Prepayment Costs Shortfall; and
    - (B) the amount of any Adjusted Approved Operating Costs that have been paid to the Obligor Account Bank from the Cure Account in the period from the most recent Test Date on or in respect of which amounts were deposited into the Cure Account,

is paid to the Issuer to be applied by the Issuer, together with the amounts withdrawn from the Cure Account, in accordance with paragraph 1(g) of the

provisions described in the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*"; and

- (ii) after that Mezzanine Cure Loan Noteholder Cure Deposit is applied in accordance with paragraph 1(g) of the provisions described in the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*" there is a surplus, the Obligor Security Trustee will withdraw that surplus from the Cure Account and apply that amount in accordance with the relevant Borrower Payment Priorities by noon on the next Distribution Date.

The Borrower can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to the Cure Account from the Cure Account.

## **10. Lock-Up Account**

The Obligor Security Trustee has sole signing rights in relation to the Lock-Up Account.

### *Funds to be deposited into the Lock-Up Account*

If a Trigger Event is continuing (but no Payment Stop Notice is outstanding) on a Distribution Date (or on the Test Date preceding such Distribution Date), the Propcos will transfer an amount equal to 100 per cent. of the surplus amount standing to the credit of each Rent Account after payment in full of the amounts owing under items (a) to (k) (inclusive) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or items (a) to (k) (inclusive) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities as applicable, on such Distribution Date (and on each subsequent Distribution Date while a Trigger Event is continuing) into the Lock-Up Account.

If a Payment Stop Notice is outstanding on a Distribution Date (or on the Test Date preceding such Distribution Date), the Propcos will transfer an amount equal to 100 per cent. of the surplus amount standing to the credit of each Rent Account after payment in full of the amounts owing under items (a) to (j) (inclusive) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or items (a) to (j) (inclusive) of the Borrower Post-Enforcement Pre-Acceleration Payment Priority, as applicable, on such Distribution Date (and on each subsequent Distribution Date while a Payment Stop Notice is outstanding) into the Lock-Up Account.

If a Trigger Event is continuing on the date on which an Obligor receives:

- (a) any Net Disposal Proceeds in connection with a disposal of all or any part of a Property, each Obligor will ensure that an amount equal to any Residual Disposal Proceeds arising from that disposal;
- (b) any Compensation Proceeds which are not Compensation Prepayment Proceeds, each Obligor will ensure that an amount equal to the difference between the amount of such Compensation Proceeds and the corresponding amount of Compensation Prepayment Proceeds (which will not be an amount less than zero);
- (c) any Insurance Proceeds which are not Insurance Deposit Proceeds, each Obligor will ensure that an amount equal to the difference between the amount of such Insurance Proceeds and the corresponding amount of Insurance Deposit Proceeds; and
- (d) any Excluded Recovery Proceeds which are not Recovery Prepayment Proceeds, each Obligor will ensure that an amount equal to the difference between the amount

of such Excluded Recovery Proceeds and the corresponding amount of Recovery Prepayment Proceeds,

are in each case deposited into the Lock-Up Account.

*Application of funds in the Lock-Up Account*

On any Distribution Date on which:

- (a) amounts are standing to the credit of the Lock-Up Account; and
- (b) no Trigger Event is continuing or has occurred (in the case of any Trigger Event Financial Covenant, without taking into account amounts standing to the credit of the Lock-Up Account and the Cure Account) at any time during the Loan Interest Period within which that Distribution Date falls and the Loan Interest Period during which the previous Distribution Date fell,

the Obligor Security Trustee shall, at the request of the Borrower, on that Loan Interest Payment Date, withdraw the amounts standing to the credit of the Lock-Up Account and apply those amounts in accordance with the relevant Borrower Payment Priorities (provided that no Trigger Event would occur as a result of such application).

On any Distribution Date on which a Trigger Event is continuing for a period of 18 months or more, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Lock-Up Account and apply those amounts, by noon on that Distribution Date, in accordance with the Prepayment Rule.

At the request of the Borrower, if the Borrower gives the Obligor Security Trustee not less than five Business Days' notice, the Obligor Security Trustee must withdraw from, and apply any amounts standing to the credit of, any Cure Account in prepayment of the Issuer/Borrower Loans in accordance with paragraph (d) of the provisions described in the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*".

Following the service of an Obligor Enforcement Notice, but prior to the delivery of an Obligor Acceleration Notice, the Obligor Security Trustee must withdraw all amounts standing to the credit of the Lock-Up Account and apply those amounts in accordance with paragraph 2 (c) of the provisions described in the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*".

The Borrower can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to the Lock-Up Account from the Lock-Up Account (but will ensure that an amount equal to each such payment to the Obligor Account Bank is deposited into the Lock-Up Account within 5 Business Days of such payment being made).

## **11. Defeasance Account**

The Obligor Security Trustee has sole signing rights in relation to the Defeasance Account.

*Funds to be deposited into the Defeasance Accounts*

Amounts that would otherwise be used to prepay the Issuer/Borrower Loans may instead be credited to the Defeasance Account as set out in the relevant provisions of the section entitled "*Mandatory prepayments (other than following a disposal of a Property)*".



### *Application of funds in the Defeasance Accounts*

Prior to the delivery of an Obligor Enforcement Notice, the Obligors may, at their discretion, request that the Obligor Security Trustee withdraws amounts credited to the Defeasance Accounts by noon on any Distribution Date to:

- (a) prepay the relevant Issuer/Borrower Loan in accordance with paragraph (e) of the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*" (for the avoidance of doubt, limb (b) of the definition of Redemption Percentage will apply for all such prepayments, other than if utilising Net Disposal Minimum Proceeds or any other proceeds from the disposal of a Property or an Obligor, where limb (a) of the definition of Redemption Percentage will apply); and/or
- (b) be applied by the Borrower in making a tender offer for Notes corresponding to the relevant Issuer/Borrower Loan, provided (a) the amounts in such account are in excess of £5,000,000 and (b) that if a Trigger Event has occurred and is continuing, the purchase price payable by the Obligors/Borrower (as applicable) for such Notes must not exceed the redemption amount which would apply if such Notes were redeemed by the Issuer using a prepayment by the Borrower of an equivalent notional amount of the corresponding Issuer/Borrower Loan plus accrued interest and any Break Costs and other amounts payable by the Borrower to the Issuer. In the event that insufficient holders of the Notes participate in any tender offer within 45 Business Days, the remaining amounts shall be applied in prepayment of the Issuer/Borrower Loans as set out in paragraph (e) of the section entitled "*Voluntary prepayments of the Issuer/Borrower Loans*" above (for the avoidance of doubt, limb (b) of the definition of Redemption Percentage will apply for all such prepayments, other than if utilising Net Disposal Minimum Proceeds or any other proceeds from the disposal of a Property or an Obligor, where limb (a) of the definition of Redemption Percentage will apply).

Following the delivery of an Obligor Enforcement Notice the Obligor Security Trustee must withdraw all amounts standing to the credit of the Defeasance Account and apply those amounts in accordance with paragraph 3 of the provisions relating to "*Mandatory prepayments (other than following a disposal of a Property)*".

Following the delivery of an Obligor Acceleration Notice, all amounts credited to the Defeasance Account will be applied in repayment of each relevant Issuer/Borrower Loan that is defeased by the monies standing to the credit of the Defeasance Account.

The Borrower can pay Adjusted Approved Operating Costs relating to the fees and expenses it owes to the Obligor Account Bank in relation to the Defeasance Account from the Defeasance Account (but will ensure that an amount equal to each such payment to the Obligor Account Bank is deposited into the Defeasance Account within 5 Business Days of such payment being made).

## **12. Borrower Holdco General Account**

Except as otherwise provided for in the Issuer/Borrower Loan Agreement, the Borrower Holdco has signing rights in relation to its Borrower Holdco General Account. Within 10 Business Days of the opening of the Borrower Holdco General Account, the Borrower will provide evidence to the Issuer that the Borrower Holdco General Account is open and that:

- (i) a mandate in respect of such account has been provided to the Obligor Account Bank in accordance with the Obligor Account Bank Agreement; and

- (ii) notice in respect of the Obligor Security over such account has been given to the Obligor Account Bank in accordance with the Obligor Security Documents.

*Funds to be deposited into the Borrower Holdco General Account*

The Borrower Holdco must ensure that any amount received by it, other than any amount specifically required under the terms of the Issuer/Borrower Loan Agreement or the Mezzanine Loan Note Agreement to be paid into any other Obligor Account or Mezzanine Account, is paid into its Borrower Holdco General Account.

*Application of funds in the Borrower Holdco General Account*

Except as otherwise provided for in the Issuer/Borrower Loan Agreement and subject to:

- (a) any restriction in the Intercreditor Agreement or the Issuer/Borrower Loan Agreement;
- (b) the requirement that amounts paid into the Borrower Holdco General Account for a particular purpose must be used for that purpose; and
- (c) the Borrower certifying to the Issuer, prior to such withdrawal, that no Obligor Default or Trigger Event is outstanding or would result from such withdrawal,

the Borrower Holdco may withdraw any amount from its Borrower Holdco General Account for any purpose.

At any time when a Trigger Event is continuing or an Obligor Default is continuing:

- (a) amounts deposited in the Borrower Holdco General Account (whether before or after the occurrence of a Trigger Event) will be transferred to a Rent Account of the Propcos;
- (b) the Obligor Security Trustee may operate the Borrower Holdco General Account;
- (c) the Obligor Security Trustee may notify the Borrower Holdco that its rights to operate its Borrower Holdco General Account are suspended, such notice to take effect in accordance with its terms; and
- (d) the Obligor Security Trustee may withdraw from, and apply amounts standing to the credit of, the Borrower Holdco General Account in or towards any purpose for which monies in any Obligor Account may be applied.

### **13. Obligor Holdco General Accounts**

Except as otherwise provided for in the Issuer/Borrower Loan Agreement, each Obligor Holdco has signing rights in relation to its Obligor Holdco General Account. Within 10 Business Days of the opening of an Obligor Holdco General Account, the Borrower will provide evidence to the Issuer that such Obligor Holdco General Account is open and that:

- (i) a mandate in respect of such account has been provided to the Obligor Account Bank in accordance with the Obligor Account Bank Agreement; and
- (ii) notice in respect of the Obligor Security over such account has been given to the Obligor Account Bank in accordance with the Obligor Security Documents.

### *Funds to be deposited into the Obligor Holdco General Accounts*

Each Obligor Holdco must ensure that any amount received by it, other than any amount specifically required under the terms of the Issuer/Borrower Loan Agreement or the Mezzanine Loan Note Agreement to be paid into any other Obligor Account or Mezzanine Account, is paid into its Obligor Holdco General Account.

### *Application of funds in the Obligor Holdco General Accounts*

Except as otherwise provided for in the Issuer/Borrower Loan Agreement and subject to:

- (a) any restriction in the Intercreditor Agreement or the Issuer/Borrower Loan Agreement;
- (b) the requirement that amounts paid into the Obligor Holdco General Accounts for a particular purpose must be used for that purpose; and
- (c) the Borrower certifying to the Issuer, prior to such withdrawal, that no Obligor Default or Trigger Event is outstanding or would result from such withdrawal,

each Obligor Holdco may withdraw any amount from its Obligor Holdco General Account for any purpose.

At any time when a Trigger Event is continuing or an Obligor Default is continuing:

- (a) amounts deposited in the Obligor Holdco General Accounts (whether before or after the occurrence of a Trigger Event) will be transferred to a Rent Account of the Propcos;
- (b) the Obligor Security Trustee may operate the Obligor Holdco General Accounts;
- (c) the Obligor Security Trustee may notify each Obligor Holdco that its rights to operate its Obligor Holdco General Account are suspended, such notice to take effect in accordance with its terms; and
- (d) the Obligor Security Trustee may withdraw from, and apply amounts standing to the credit of each Obligor Holdco General Account in or towards any purpose for which monies in any Obligor Account may be applied.

## **14. Borrower Hedge Collateral Account**

When entering into any Hedging Agreement, the Borrower shall instruct the Obligor Account Bank to open a Borrower Hedge Collateral Account for the purposes of holding any collateral posted pursuant to such Hedging Agreement.

A Borrower Hedge Collateral Account shall be opened in respect of each Borrower Hedge Counterparty that may be required to post collateral pursuant to any Hedging Agreement. In the event that any Borrower Hedge Collateral Account is opened with a bank other than the Obligor Account Bank, the parties to the Obligor Account Bank Agreement (not including the Obligor Account Bank), will enter into an agreement on terms which are identical to the terms of the Obligor Account Bank Agreement (except amendments of a minor or technical nature to reflect the identities of the new parties thereto) in respect of such Borrower Hedge Collateral Account. Any Hedge Collateral Excluded Amounts received by the Borrower pursuant to a Hedging Agreement must be deposited in the relevant Borrower Hedge Collateral Account.

Prior to the discharge by the Borrower of all of its obligations under the relevant Hedging Agreement, no withdrawal will be made from the Borrower Hedge Collateral Account (relevant to such Hedging Agreement) other than for purposes of meeting obligations due from the Borrower to the Hedge Counterparty under such Hedging Agreement.

## **15. Luxembourg Share Capital Accounts**

- (a) Each relevant Obligor will have signing rights in relation to its Luxembourg Share Capital Account.
- (b) Within 10 Business Days of the opening of a Luxembourg Share Capital Account, the Borrower will provide evidence to the Issuer that such Luxembourg Share Capital Account is open and that:
  - (i) notice in respect of the Obligor Security over such account has been given to ING Luxembourg SA in accordance with the Obligor Security Documents; and
  - (ii) an acknowledgement of the Obligor Security over such account has been given by ING Luxembourg SA in accordance with the Obligor Security Documents.
- (c) Within 10 Business Days of the opening of a Luxembourg Share Capital Account by a Luxembourg Obligor which is not a party to the Luxembourg Bank Account Pledge Agreement, the Borrower will also provide evidence to the Issuer in addition to the above that such Luxembourg Share Capital Account has been pledged under a Luxembourg bank account pledge agreement essentially in the form of the Luxembourg Bank Account Pledge Agreement.
- (d) No amounts can be deposited and no amounts can be withdrawn from the Luxembourg Share Capital Accounts, other than in accordance with paragraph (e) below or otherwise with the consent of the Issuer.
- (e) At any time when a Trigger Event or an Obligor Event of Default is continuing, the Obligor Security Trustee may:
  - (i) operate each Luxembourg Share Capital Account;
  - (ii) notify the relevant Obligor that its rights to operate its Luxembourg Share Capital Account is suspended, such notice to take effect in accordance with its terms; and
  - (iii) withdraw from, and apply amounts standing to the credit of, each Luxembourg Share Capital Account in or towards any purpose for which monies in any Obligor Account may be applied.
- (f) Each Obligor may withdraw amounts from its Luxembourg Share Capital Account, if permitted to do so by applicable law, provided that such amounts are deposited only in another Obligor Account (other than a General Account, the Borrower Holdco General Account or an Obligor Holdco General Account) and thereafter applied in accordance with the terms of the Issuer/Borrower Loan Agreement.

## **16. Borrower General Account**

Except as otherwise provided for in the Issuer/Borrower Loan Agreement, the Borrower has signing rights in relation to its Borrower General Account.

### *Funds to be deposited into the Borrower General Account*

The Borrower must ensure that any amount received by it, other than any amount specifically required under the terms of the Issuer/Borrower Loan Agreement or the Mezzanine Loan Note Agreement to be paid into any other Obligor Account or Mezzanine Account, is paid into the Borrower General Account.

### *Application of funds in the Borrower General Account*

Except as otherwise provided for in the Issuer/Borrower Loan Agreement and subject to:

- (a) any restriction in the Intercreditor Agreement or the Issuer/Borrower Loan Agreement;
- (b) the requirement that amounts paid into the Borrower General Account for a particular purpose must be used for that purpose; and
- (c) the Borrower certifying to the Issuer, prior to such withdrawal, that no Obligor Default or Trigger Event is outstanding or would result from such withdrawal,

the Borrower may withdraw any amount from the Borrower General Account for any purpose.

At any time when a Trigger Event is continuing or an Obligor Default is continuing:

- (a) amounts deposited in the Borrower General Account (whether before or after the occurrence of a Trigger Event) will be transferred to a Rent Account of the Propcos;
- (b) the Obligor Security Trustee may operate the Borrower General Account;
- (c) the Obligor Security Trustee may notify the Borrower that its rights to operate the Borrower General Account are suspended, such notice to take effect in accordance with its terms; and
- (d) the Obligor Security Trustee may withdraw from, and apply amounts standing to the credit of, the Borrower General Account in or towards any purpose for which monies in any Obligor Account may be applied.

### ***Miscellaneous Obligor Accounts provisions***

- (a) The Borrower must ensure that no Obligor Account goes into overdraft.
- (b) Any amount received or recovered by an Obligor otherwise than by credit to an Obligor Account must be held subject to the security created by the Finance Documents and be paid, as soon as reasonably practicable, to the relevant Obligor Account or to the Issuer in the same funds as received or recovered.
- (c) If any payment is made into an Obligor Account in relation to which the Obligor Security Trustee has sole signing rights which should have been paid into another Obligor Account, then, unless an Obligor Default is continuing, the Obligor Security Trustee must, at the request of the Borrower and on receipt of evidence satisfactory

to the Obligor Security Trustee that the payment should have been made to that other Obligor Account, pay that amount to that other Obligor Account.

- (d) The monies standing to the credit of an Obligor Account may be applied by the Obligor Security Trustee in payment of any amount due but unpaid to a Finance Party under the Finance Documents.
- (e) No Finance Party is responsible or liable to any Obligor for:
  - (i) any non-payment of any liability of an Obligor which could be paid out of monies standing to the credit of an Obligor Account; or
  - (ii) any withdrawal wrongly made, if made in good faith.
- (f) The Borrower must, within five Business Days of any request by the Issuer, supply the Issuer with the following information in relation to any payment received in an Obligor Account:
  - (i) the date of payment or receipt;
  - (ii) the payer; and
  - (iii) the purpose of the payment or receipt.
- (g) Subject to the other provisions of the Issuer/Borrower Loan Agreement, any payment made by a Propco from its Rent Account or its General Account:
  - (i) directly to the Issuer, in payment of any amount payable by the Borrower to the Issuer, will be deemed to be a Permitted Payment of interest on or a repayment of principal in respect of a Structural Intra-Group Loan advanced by the Borrower to that Propco, or an advance of an Intra-Group Loan from that Propco to the Borrower, or as a payment of a dividend by the relevant Propco to the Borrower, as applicable;
  - (ii) directly to a Mezzanine Finance Party, in payment of any amount payable by the Mezzanine Loan Note Issuer to the Mezzanine Finance Party, will be deemed to be a Permitted Payment of interest and/or a repayment of principal in respect of a Structural Intra-Group Loan or a payment of a dividend, in each case, by the relevant Propco to the Borrower (and by the Borrower to the Borrower Holdco and by the Borrower Holdco to the Mezzanine Loan Note Issuer).
  - (iii) directly to the Mezzanine Loan Note Issuer (by way of payment to the Mezzanine Finance Account), will be deemed to be a Permitted Payment of interest and/or a repayment of principal in respect of a Structural Intra-Group Loan or a payment of a dividend, in each case, by the relevant Propco to the Borrower (and by the Borrower to the Borrower Holdco and by the Borrower Holdco to the Mezzanine Loan Note Issuer); and
  - (iv) to the Mezzanine Loan Note Issuer (by way of payment to the Mezzanine General Account) other than in relation to a payment to be made to any Mezzanine Finance Party, will be deemed to be a payment of dividend by the relevant Propco to the Borrower (and by the Borrower to the Borrower Holdco and by the Borrower Holdco to the Mezzanine Loan Note Issuer).

- (h) Subject as provided in paragraph (c) above and prior to the occurrence of an Obligor Event of Default which is continuing and/or the delivery of an Obligor Enforcement Notice, as applicable, (and in respect of certain accounts, the occurrence of a Trigger Event), in exercising its signing rights in respect of the Rent Accounts, the Deposit Account, the Disposal Account, the Cure Account and the Lock-up Account, the Obligor Security Trustee will operate such accounts on the instructions provided by the Servicer and the Obligor Security Trustee shall have no obligation to make any determinations, calculations or otherwise exercise its signing rights in the absence of such instructions.
- (i) Following an Obligor Event of Default, the Obligor Security Trustee will be able to assume sole signing rights and control over those Obligor Accounts in respect of which it does not already have sole signing rights.

### **TRIGGER EVENTS**

The Obligors will be subject to the following trigger events ((a) to (g) (inclusive) below, the **Trigger Events** and (a)(i) and (a)(ii) below, the **Trigger Event Financial Covenant Ratios**):

- (a) in respect of any Test Date (a **Trigger Event Date**), when any of the following ratios (a **Trigger Event Financial Covenant**) breach the relevant level specified below (a **Trigger Event Financial Covenant Breach**):
  - (i) either the Historical NOI ICR, for the Test Period ending on (and including) any Test Date, or the Projected NOI ICR, for the Projected Test Period commencing on (but excluding) any Test Date, is lower than 1.75x;
  - (ii) the Loan to Value Ratio for any Test Date is greater than 70 per cent.

The **Loan to Value Ratio** will be calculated on each Test Date as the proportion expressed as a percentage which:

  - (A) the aggregate principal amount outstanding of the Net Senior Debt on such Test Date; bears to
  - (B) the aggregate market value of the Properties calculated by reference to the then most recent Valuation for each Property.
- (b) the occurrence and continuation of an Obligor Event of Default;
- (c) the Issuer Liquidity Facility is drawn (excluding any Issuer Liquidity Standby Loan);
- (d) the sum of six months' interest on the Notes and Senior Expenses for the Projected Test Period commencing on (but excluding) any Test Date is more than the sum of amounts available to the Issuer for drawing under the Issuer Liquidity Facility and any amounts standing to the credit of the Issuer Liquidity Reserve Account and the Issuer Liquidity Standby Account (the **Issuer Debt Service Shortfall Test**);
- (e) the auditors qualify their report on any audited financial statements of an Obligor, or restate their report on any audited financial statements of an Obligor, as a result of which a Trigger Event Financial Covenant Breach would have occurred if the Management Report(s) which was used as the basis of calculation of the Trigger Event Financial Covenants were amended to take into account such qualified or restated report or financial statements on the

immediately preceding Test Date (recalculated on the date of such qualification or restatement);

- (f) the asset management agreement and/or any facility management agreement is not, or ceases to be, in full force and effect unless it has been replaced with another agreement within 30 days (see the sections entitled “*Asset Manager*” and “*Facility Managers*” below); or
- (g) any Facility Manager becomes subject to Insolvency Proceedings or fails to comply with its obligations to make payments into the relevant Management Company General Account or the relevant Facility Manager Client Account unless such failure is due to technical error and such payment is made within three Business Days of the payment falling due.

### ***TRIGGER EVENT CONSEQUENCES***

At any time a Trigger Event is continuing, the provisions set out below will apply:

- (a) no Obligor will be permitted to make:
  - (i) if that Trigger Event is not a Material Trigger Event, a Permitted Payment other than a Permitted Payment referred to in paragraph (c)(i) or (c)(ii) of that definition which can continue to be paid in accordance with the relevant Borrower Payment Priorities;
  - (ii) if the Trigger Event is a Material Trigger Event (which results in a Payment Stop Notice being outstanding), a Permitted Payment other than a Permitted Payment referred to in paragraph (c)(ii) of that definition which can continue to be paid in accordance with the relevant Borrower Payment Priorities; and
  - (iii) any payment from a General Account other than as required under paragraph (b) of the section entitled “*Application of funds in the General Accounts*” within the section entitled “*General Accounts*” above;
- (b) (other than in the case of the Trigger Event at paragraph (d) of the section entitled “*Trigger Events*” above, unless such Trigger Event is continuing for 12 months or more) the Obligor Security Trustee on the instructions of the Issuer may appoint a Valuer at the cost of the Obligors to carry out a Full Valuation;
- (c) provided that the Trigger Event is continuing for 12 months or more, the Issuer shall have the ability to appoint an independent property adviser (the **Property Adviser**) (in consultation with the Servicer or the Special Servicer, as applicable, and with the approval of the Noteholders (to be granted in accordance with the Servicing Agreement)). The Property Adviser shall:
  - (i) review the annual business plan and leasing strategy proposed by the Obligors in consultation with the Servicer or the Special Servicer, as applicable, the Asset Manager, the Facility Managers and the relevant Management Companies;
  - (ii) highlight to the Servicer or the Special Servicer, as applicable, any material objections and/or issues and make recommendations for any changes to the Property Portfolio including any acquisitions, disposals, substitutions or developments; and
  - (iii) consult with the Servicer or the Special Servicer, as applicable, in respect of any proposals by any Obligors to dispose, acquire or undertake Enhancement Capex in relation to any of the Properties after the appointment of the Property Adviser other than in accordance with its recommendations. Each Obligor shall advise the Property



Adviser in advance of such proposal and seek its approval or objection to such proposal.

If a Trigger Event is continuing, the Obligors shall not act contrary to the recommendations of the Servicer or the Special Servicer (following consultation with the Property Adviser in accordance with paragraph (c)(i), (c)(ii) or (c)(iii) above unless such action is approved by the Noteholders in accordance with the Servicing Agreement.

If a Special Servicing Transfer Event has occurred and the appointment of the Special Servicer has been terminated without a successor special servicer having to be appointed, in accordance with terms of the Servicing Agreement, references to the Special Servicer in paragraph (c) above will be deemed to be references to the Issuer;

- (d) in the event that one or more Trigger Events have been continuing for 18 months or more and for so long as any Issuer/Borrower Loans remain outstanding then the Obligors shall, by noon on each Distribution Date thereafter on which such Trigger Event is continuing, apply, all amounts then standing to the credit of the Lock-Up Account on such Distribution Date in accordance with the Prepayment Rule; and
- (e) an amount equal to 100 per cent. of the surplus amount standing to the credit of each Rent Account after payment of items (a) to (if no Payment Stop Notice is outstanding) (k) or (if a Payment Stop Notice is outstanding) (j) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or after payment of items (a) to (if no Payment Stop Notice is outstanding) (k) or (if a Payment Stop Notice is outstanding) (j) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities shall be paid into the Lock-Up Account in accordance with the first paragraph of the section entitled "*Lock-Up Account- Funds to be deposited into the Lock-Up Account*"; and
- (f) an amount equal to any Residual Disposal Proceeds, the difference between any Insurance Proceeds and Insurance Deposit Proceeds, the difference between any Compensation Proceeds and Compensation Prepayment Proceeds and the difference between any Excluded Recovery Proceeds and Recovery Prepayment Proceeds shall be paid by the Obligors into the Lock-Up Account in accordance with the third paragraph of the section entitled "*Lock-Up Account – Funds to be deposited into the Lock-Up Account*".

### **TRIGGER EVENT REMEDIES**

At any time when an Obligor believes that a Trigger Event has been remedied by virtue of any of the following, it must provide the Issuer (with a copy to the Issuer Cash Manager) with a certificate signed by a director of that Obligor to that effect and provide such evidence in support of such certificate as the Issuer may reasonably require.

The following shall constitute a remedy to the corresponding Trigger Event (but, for the avoidance of doubt, shall not remedy any other Trigger Event then continuing unless also remedied in accordance with the following remedy applicable to that Trigger Event) (each a **Trigger Event Remedy**):

#### **1. Trigger Event Financial Covenants**

Any Trigger Event Financial Covenant Breach will be remedied if a Compliance Certificate is delivered in relation to a Test Date following the Trigger Event Date arising as a result of the Trigger Event Financial Covenant Breach showing that no Trigger Event Financial Covenant Breach is continuing (without taking into account amounts then standing to the credit of the Cure Account and the Lock-Up Account and in relation to the Trigger Event Financial

Covenant at paragraph (a)(ii) under the section entitled "*Trigger Events*" only, the Disposal Accounts and the Defeasance Account).

**2. Obligor Event of Default**

The occurrence of a Trigger Event referred to in paragraph (b) of the section entitled "*Trigger Events*" will be remedied if the Obligor Event of Default is waived or, where capable of remedy, is remedied to the satisfaction of the Issuer (acting reasonably).

**3. Drawdown on the Issuer Liquidity Facility**

The occurrence of a Trigger Event referred to in paragraph (c) of the section entitled "*Trigger Events*" will be remedied if the aggregate balance drawn down (other than by way of Issuer Liquidity Standby Loan) under the Issuer Liquidity Facility is restored to zero.

**4. Debt service shortfall**

The occurrence of the Trigger Event referred to in paragraph (d) of the section entitled "*Trigger Events*" will be remedied if the Issuer Debt Service Shortfall Test is satisfied.

**5. Audit qualification**

The occurrence of a Trigger Event referred to in paragraph (e) of the section entitled "*Trigger Events*" will be remedied if the immediately following audited financial statements cease to contain the relevant qualification(s) or are not so restated.

**6. Management agreements**

The occurrence of a Trigger Event referred to in paragraph (f) of the section entitled "*Trigger Events*" will be remedied if the Asset Management Agreement and/or the relevant Facility Management Agreements are replaced in accordance with the sections entitled "Facility Managers" or "Asset Managers" below, as applicable.

**7. Facility Manager obligations**

The occurrence of a Trigger Event referred to in paragraph (g) of the section entitled "*Trigger Events*" will be remedied if:

- (a) the relevant Facility Manager is replaced (in accordance with the Issuer/Borrower Loan Agreement); or
- (b) the relevant payments that were not made by the Facility Manager are subsequently made into the relevant Management Company General Account or the relevant Facility Manager Client Account, as applicable.

***GUARANTEE***

Each Obligor has irrevocably and unconditionally, jointly and severally guaranteed to each Finance Party punctual performance by each Obligor of all that Obligor's obligations under the Finance Documents and further undertaken that, if any Obligor does not pay any amount when due in connection with a Finance Document, it will immediately on demand pay that amount as if it were the primary Obligor and further agrees to indemnify each Finance Party if any obligation guaranteed becomes unenforceable, invalid or illegal.

Notwithstanding any provision to the contrary in the Issuer/Borrower Loan Agreement, the liability of any Obligor established in Luxembourg (other than the Borrower) (each, a **Luxembourg Guarantor**) under this section for the obligations of any Obligor, which is not a direct or indirect Subsidiary of that Luxembourg Guarantor, may not exceed, in aggregate, the Maximum Amount (as defined in paragraph (b) below).

For the purposes of paragraph (a) above, the Maximum Amount, in relation to a Luxembourg Guarantor, means an amount equal to the aggregate (without double counting) of:

- (a) all monies received by that Luxembourg Guarantor or its direct and indirect Subsidiaries as a Borrower under the Issuer/Borrower Loan Agreement;
- (b) the aggregate amount of any intercompany or shareholder funding (in any form whatsoever) made available to that Luxembourg Guarantor or any of its direct or indirect Subsidiaries by any other member of the Brookfield Group which has been directly or indirectly funded by a borrowing under the Issuer/Borrower Loan Agreement; and
- (c) an amount equal to the greater of:
  - (i) 95 per cent. of the sum of (i) the Luxembourg Guarantor's own funds (*capitaux propres*) (as referred to in Annex I to the Grand-Ducal Regulation dated 18 December 2015 setting out the form and content of the presentation of the balance sheet and profit and loss account, enforcing the Luxembourg act of 19 December 2002 on the trade and companies register and the accounting and annual accounts of undertakings, as amended) (the **Own Funds**) and (ii) the Luxembourg Guarantor's debt which is subordinated in right of payment (whether generally or specifically) to any claim of any Finance Party under any of the Finance Documents (the **Lux Subordinated Debt**), in each case as determined on the basis of the then latest available annual accounts of the Luxembourg Guarantor duly established in accordance with applicable accounting rules, as at the date of the Issuer/Borrower Loan Agreement; and
  - (ii) 95 per cent. of the sum of (i) the Own Funds and (ii) the Lux Subordinated Debt, in each case as determined on the basis of the then latest available annual accounts of the Luxembourg Guarantor duly established in accordance with applicable accounting rules, as at the date on which the guarantee under this section is called.
- (d) Where, for the purpose of the above determinations, (i) no duly established annual accounts are available for the relevant reference period (which will include a situation where, in respect of the determinations to be made above, no final annual accounts have been established in due time in respect of the then most recently ended financial year) or (ii) the relevant annual accounts do not adequately reflect the status of the Lux Subordinated Debt or Own Funds as envisaged above or (iii) the Luxembourg Guarantor has taken corporate or contractual actions having resulted in the increase of its Own Funds or its Lux Subordinated Debt since the close of its last financial year, the Issuer (acting in good faith) shall:
  - (i) request that the relevant Luxembourg Guarantor shall immediately establish unaudited interim accounts (as of the date of the end of the then most recent financial quarter) or annual accounts (as applicable) duly established in accordance with applicable accounting rules, pursuant to which the relevant Luxembourg Guarantor's *capitaux propres* and an Intra-Group Loan or a Structural Intra-Group Loan (as applicable) will be determined; or

- (ii) appoint an independent auditor or reputable investment bank to determine the relevant amount of *capitaux propres* and Intra-Group Loans or Structural Intra-Group Loans (as applicable) on the basis of such available information, elements and facts (in particular the most recent available financial statements or any other information provided under or in connection with the Finance Documents) as deemed relevant by the independent auditor or the reputable investment bank.

The above limitation shall not apply to any Obligor Security Document, or any recoveries derived from the enforcement of a Finance Party's rights under or in respect of any Obligor Security.

## **REPRESENTATIONS**

Each Obligor makes the following representations and warranties to each Finance Party on the date of the Issuer/Borrower Loan Agreement.

### **Status**

It is a limited liability corporation, duly incorporated (or, as applicable, organised) and validly existing under the law of its Original Jurisdiction.

Each Obligor possesses the capacity to sue and be sued in its own name and it does not (nor do any of its assets) enjoy any right of set-off, suit or execution in respect of any of its obligations to the Finance Parties under the Obligor Transaction Documents save as expressly arising pursuant to the terms of the Obligor Transaction Documents or by mandatory operation of law.

It has the power to own its assets and carry on its business as it is being conducted.

### **Binding obligations**

The obligations expressed to be assumed by it in each Obligor Transaction Document to which it is a party constitute, or when executed will constitute, subject to the Legal Reservations and the Perfection Requirements, its legal, valid, binding and enforceable obligations.

The Obligor Transaction Documents to which it is a party are, or when executed will be, admissible in evidence in its Relevant Jurisdiction.

Without limiting the generality of the two preceding paragraphs, subject to the Legal Reservations and the Perfection Requirements, each Obligor Security Document validly creates the first ranking Security Interests they purport to create and those Security Interests are valid and effective.

### **Non-conflict with other obligations**

Subject to the Legal Reservations and the Perfection Requirements, the entry into, exercise of its rights and performance by it of, or compliance with, its obligations under, and the transactions contemplated by, the Obligor Transaction Documents and the granting of the Obligor Security do not and will not:

- (a) conflict with or constitute a breach or infringement of any law, licences or regulation or judicial or official order applicable to it in any material respect;
- (b) conflict with or constitute a breach or infringement of its constitutional documents, in any material respect;

- (c) conflict with or constitute a breach or infringement of any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument in any material respect; or
- (d) result in the existence of, or oblige it to create any, Security Interest over its assets other than as permitted under the Issuer/Borrower Loan Agreement.

### ***Power and authority***

It has:

- (a) the power to enter into, perform and deliver, each Obligor Transaction Document to which it is a party and to exercise its rights and perform its obligations under each such Obligor Transaction Document and the transactions contemplated by each such Obligor Transaction Document; and
- (b) taken all necessary action to authorise its entry into each Obligor Transaction Document to which it is a party and to exercise its rights and perform its obligations under such Obligor Transaction Documents and the transactions contemplated by those Obligor Transaction Documents.

No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Obligor Transaction Documents to which it is a party.

### ***Authorisations, validity and admissibility in evidence***

Subject to the Legal Reservations, all Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under each of, and the transactions contemplated by, the Obligor Transaction Documents to which it is a party; and
- (b) to make the Obligor Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect.

All Authorisations necessary for the conduct of the business, trade and ordinary activities of the Obligor have been obtained or effected and are in full force and effect.

All material terms and conditions of all relevant Authorisations have been complied with and all such Authorisations remain in full force and effect.

### ***Governing law and enforcement***

Subject to the Legal Reservations, any irrevocable submission under the Obligor Transaction Document to the jurisdiction to which it is stated to be subject and any agreement as to the governing law of any Obligor Transaction Document is legal, valid and binding under the laws of its Relevant Jurisdictions.

Subject to the Legal Reservations and the Perfection Requirements, any judgment obtained in relation to an Obligor Transaction Document in the jurisdiction of the governing law of that Obligor Transaction Document will be recognised and enforced in its Relevant Jurisdictions.

Subject to the Legal Reservations and the Perfection Requirements, any judgment obtained in relation to an Obligor Security Document will be recognised and enforced in the jurisdiction of the governing law of that Obligor Security Document.

### ***Deduction of Tax***

It is not required to make any Tax Deduction from any payment it may make under any Finance Document:

- (a) on account of Tax imposed by Luxembourg, except if such Tax Deduction is due pursuant to the Luxembourg law of 23 December 2005, as amended; and
- (b) in the case of a Tax Deduction on account of Tax imposed by the United Kingdom, to an Issuer which is:
  - (i) a UK Qualifying Issuer:
    - (A) falling within paragraph (i)(A) of the definition of UK Qualifying Issuer; or
    - (B) except where a direction has been given under section 931 of the Income Tax Act in relation to the payment concerned, falling within paragraph (i)(B) of the definition of UK Qualifying Issuer; or
    - (C) falling within paragraph (ii) of the definition of UK Qualifying Issuer; or
  - (ii) a UK Treaty Issuer and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

### ***No filing or stamp taxes***

Subject to the Legal Reservations, under the laws of its Relevant Jurisdiction it is not necessary that the Finance Documents be registered, filed, recorded, notarised, or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except:

- (a) registration with the *Administration de l'Enregistrement et des Domaines* in Luxembourg of the Finance Documents as it will be required in the case of voluntary registration of the Finance Documents and/or where the Finance Documents are physically attached (annexé(s)) to a public deed or to any other document subject to mandatory registration, in which case either a nominal registration duty or an *ad valorem* duty (of, for instance, 0.24 (zero point twenty four) per cent. of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered; and
- (b) registration of the Obligor Security Documents at the Land Registry, Companies House, the Registers of Scotland, the Land Registry of Northern Ireland, the Registry of Deeds of Northern Ireland or Land Charges Registry in England and Wales (as applicable) and payment of associated fees,

which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant Obligor Security Document.

Any disclosure required to be made by it to any relevant taxing authority in relation to stamp duty land tax payable on any transactions contemplated by or being financed by the Obligor Transaction Documents has been made.

#### **VAT**

It is not a member of a value added tax group.

#### ***No Obligor Default/Trigger Event***

No Obligor Default is continuing or is reasonably likely to result from the making of any utilisation or the execution and delivery of, or the performance of, or any transaction contemplated by (including, without limitation, the making of any Issuer/Borrower Loan), any Obligor Transaction Document.

No Trigger Event is continuing or would reasonably be expected to occur as a result of the execution and delivery of, or the performance of any transaction (including the making of any Issuer/Borrower Loan) contemplated by any Obligor Transaction Document.

No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or a termination event (however described) under any other agreement or instrument which is binding on it or to which any of its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

#### ***Facility Management Agreements and Asset Management Agreement***

Subject to the Legal Reservations, the Facility Management Agreements to which an Obligor is a party and the Asset Management Agreement each constitute legal, valid and binding obligations of the parties thereto enforceable in accordance with their terms.

There has been no material breach by any Obligor of the Facility Management Agreement to which it is a party or the Asset Management Agreement which has not been remedied or waived in writing by the relevant Facility Manager or the Asset Manager (respectively) and no Obligor is aware of any facts or circumstances which may give rise to any such material breach.

Each Obligor's entry into, exercise of its rights and performance of or compliance with its obligations under, and the transactions contemplated by, each Obligor Transaction Document to which it is a party do not conflict, or constitute a breach of, the Facility Management Agreement or the Asset Management Agreement to which it is a party.

#### ***Facility Manager Client Account Declarations of Trust***

Subject to the Legal Reservations, each Facility Manager Client Account Declaration of Trust constitutes the legal, valid and binding obligations of the parties thereto enforceable in accordance with their terms.

There has been no material breach of each Facility Manager Client Account Declaration of Trust.

#### ***Information***

All:

- (a) information supplied by it or on its behalf (in writing, including by way of email communication) to any Obligor Secured Creditor in connection with the Obligor Transaction Documents and the transactions contemplated by the Obligor Transaction Documents; and

- (b) written information compiled by a third party, to the extent that it is based on information supplied by an Obligor, which is provided to the Obligor Secured Creditors in connection with the Obligor Transaction Documents,

in each case was and is true, complete and accurate in all material respects as at the date it was provided or as at any date at which it was stated to be given.

All and any estimates, forecasts and projections provided by it or on its behalf to any Obligor Secured Creditor and all assumptions and presumptions upon which they were made, were fair and reasonable at the time they were made, and fairly represent the views of that Obligor formed in good faith as at the time so provided or otherwise so specified to have been made.

It has not omitted to supply any information which, if disclosed, would make the information referred to in the two paragraphs above untrue or misleading in any respect.

Nothing has occurred since the date of the information referred to in the above paragraphs which, if disclosed, would make that information untrue, incomplete, inaccurate or misleading in any material respect.

### ***Offering documentation***

Each offering document relating to the issue of the Notes, any Further Notes, any Replacement Notes and any New Notes contains all information (as at the date of such offering document) with respect to an Obligor, its Properties and its business (the **Relevant Information**) that is material in the context of the issue and offering of the relevant Notes (including all information required by applicable laws and the information that, according to the particular nature of the Issuer and the relevant 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 and the rights attaching to the relevant Notes).

The Relevant Information contained in each offering document is true, accurate and complete in all material respects and not misleading in any material respect and does not omit anything likely to affect the import of such information.

The opinions, intentions, projections and forecasts (if any) expressed as part of the Relevant Information in each offering document are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Each offering document contains all of the information with respect to the Issuer, the Obligors, the Properties and business and the Issuer/Borrower Loan required by any listing rules and the law of the jurisdiction of the Issuer's incorporation and otherwise complies with such law to the extent applicable.

Each Obligor has provided the Issuer with all information available to it necessary to enable the Issuer to obtain and maintain listing of the Notes.

In respect of the facts and statements referred to in this section all reasonable enquiries have been and will be made to ascertain all such facts and to verify the accuracy of all such statements.

### ***Investor Presentations***

The statements, projections and forecasts (if any) contained in each written investor presentation used in connection with marketing of any Notes (an **Investor Presentation**) as of its date with respect to an Obligor and its Properties are true and accurate in all material respects and not



misleading in any material respect and the opinions and intentions expressed in each Investor Presentation on the part of the relevant Obligor are honestly held, have been reached by the relevant Obligor after considering all relevant circumstances and are based on reasonable assumptions.

### ***Financial statements***

Its Original Financial Statements were prepared in accordance with GAAP consistently applied.

Its Original Financial Statements give a true and fair view of its financial condition as at the end of the relevant financial year and results of operations during the relevant financial year (consolidated in the case of the Borrower).

Other than as described in the Unaudited *Pro Forma* Financial Information, there has been no material adverse change in its assets, business or financial condition (or the assets, business or consolidated financial condition of the Obligor Group, in the case of the Borrower) since the date of its Original Financial Statements.

Its most recent financial statements delivered pursuant to the Issuer/Borrower Loan Agreement and the Management Report most recently delivered pursuant to the Issuer/Borrower Loan Agreement:

- (a) have been prepared in accordance with GAAP as applied to the Original Financial Statements of each Obligor (or if an Obligor has no Original Financial Statements, as applied to the Original Financial Statements of the other Obligors of the same Original Jurisdiction of such Obligor); and
- (b) give a true and fair view of (if audited) or fairly represent (if unaudited) its financial condition as at the date to which they were drawn up and operations during the relevant period in respect of which they were drawn up (consolidated in the case of the Borrower).

Other than as described in the Unaudited *Pro Forma* Financial Information, since the date of:

- (i) the most recent financial statements delivered pursuant to the Issuer/Borrower Loan Agreement; and
- (ii) the Management Report most recently delivered pursuant to the Issuer/Borrower Loan Agreement,

in each case, there has been no material adverse change in its business, assets or financial condition (or the business, assets or consolidated financial condition of the Obligor Group, in the case of the Borrower).

### ***Pari passu ranking***

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims (actual or contingent) of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

### ***No proceedings pending or threatened***

No litigation, regulatory, arbitration or administrative proceedings, enquiries or investigations of or before any court, tribunal, arbitral body or agency which could reasonably be expected to be adversely determined and if adversely determined, could reasonably be expected to have a Material

Adverse Effect have been started or (to the best of its knowledge and belief (having made due and careful enquiry)) are pending or threatened against it.

### ***Valuation***

All information supplied by it or on its behalf (in writing, including by way of email communication) to a Valuer for the purposes of each Valuation was true, complete and accurate and not misleading in all material respects as at its date or (if appropriate) as at the date (if any) at which it is stated to be given.

Any financial projections contained in the information referred to in the preceding paragraph have been prepared as at their date, on the basis of recent historical information and on the basis of reasonable and prudent assumptions.

It has not omitted to supply any information to the Valuer which, if disclosed, would adversely affect the Valuation.

There has been no change, and nothing has occurred, since the date the information referred to in the first two paragraphs of this section was supplied which, if it had occurred prior to the relevant Valuation, would have materially adversely affected that Valuation.

### ***Information for Reports***

The information supplied by it or on its behalf (including all information compiled by a third party, to the extent it is based on information supplied by an Obligor) to the lawyers or other report providers who prepared any Report for the purpose of that Report was true, complete and accurate and not misleading as at the date of the Report or (if appropriate) as at the date (if any) at which it is stated to be given.

All and any estimates, forecasts and projections provided by it or on its behalf to the lawyers or other report providers who prepared any Report for the purpose of that Report and all assumptions and presumptions upon which they were made, were fair and reasonable at the time they were made, and fairly represent the views of that Obligor formed in good faith as at the time so provided or otherwise so specified to have been made.

The information referred to in the first two paragraphs of this section, at the date it was expressed to be given, was complete and did not omit any information which, if disclosed, would make that information untrue or misleading in any material respect.

Nothing has occurred since the date of any information referred to in the first two paragraphs of this section which, if disclosed, would make that information untrue, incomplete, inaccurate or misleading in any material respect.

### ***Title to Property***

Each Propco named as owner of each Property in the Issuer/Borrower Loan Agreement:

- (a) is the legal and beneficial owner or, in the case of a Scottish Property, the absolute owner, of that Property; and
- (b) has good and marketable title to (and, if applicable, a valid lease or licence for) that Property,

in each case free from any Security Interests (other than those created by or pursuant to the Obligor Security Documents) and restrictions and onerous covenants (other than those set out in the Property Report in relation to that Property).

Except as disclosed in the Property Report relating to a Property:

- (a) no breach of any law, regulation, undertaking or covenant is outstanding which adversely affects or might reasonably be expected to adversely affect the value, saleability or use of that Property;
- (b) there is no covenant, agreement, stipulation, reservation, condition, interest, right, easement or other matter whatsoever adversely affecting that Property, which conflict with its present use or adversely affect the value, saleability or use of any of its Properties;
- (c) the Property is not subject to or at risk of flooding or subsidence which would have a material adverse effect on the value of the relevant Property;
- (d) the Property is free and clear of material damage and structural defects which would have a material adverse effect on the value of the relevant Property;
- (e) nothing has arisen or has been created or is outstanding which would be an overriding interest, or an unregistered interest which overrides first registration or a registered disposition, over that Property;
- (f) all facilities (including access) necessary for the enjoyment and use of that Property (including those necessary for the carrying on of its business at that Property) are enjoyed by that Property;
- (g) none of the facilities referred to in paragraph (f) above are enjoyed on terms:
  - (i) entitling any person to terminate or curtail its use of that Property; or
  - (ii) which conflict, in a material manner, with or restrict its use of that Property;
- (h) the relevant Obligor has not received any notice of any adverse claim by any person in respect of the ownership of that Property or any interest in it which might reasonably be expected to be determined in favour of that person, nor has any acknowledgement been given to any such person in respect of that Property; and
- (i) that Property is held by the relevant Obligor free from any lease or licence (other than those entered into in accordance with the Issuer/Borrower Loan Agreement).

All deeds and documents necessary to show good and marketable title to a Propco's assets and interests in a Property will, from the relevant Closing Date, be:

- (i) in possession of the Obligor Security Trustee;
- (ii) held at the applicable Land Registry to the order of the Obligor Security Trustee;
- (iii) in the case of a Scottish Property, held at the Registers of Scotland;
- (iv) in the case of a Northern Irish Property, held at the Land Registry of Northern Ireland and/or the Registry of Deeds of Northern Ireland; or

- (v) held to the order of the Obligor Security Trustee by a firm of solicitors approved by the Obligor Security Trustee for that purpose.

### ***Planning laws and permissions***

Save as disclosed in any Property Report, each Obligor has:

- (a) complied with all planning laws, civil defence, fire and police regulations and any building regulation to which it may be subject in connection with any Property;
- (b) obtained all permanent planning permissions and all existing use rights required in connection with any Property and complied with the terms thereof;
- (c) obtained all building regulation approvals required by it in connection with any Property and complied with the terms thereof; and
- (d) complied with the terms of any agreement entered into in connection with any Property with, or undertakings given in connection with any Property to, any relevant planning authority, other public body or authority charged with administering planning law or any building regulation, any relevant environmental authority or any relevant health and safety authority,

in each case which if not obtained, observed or complied with would materially and adversely affect the value of the relevant Property and/or the Rental Income received in respect of the relevant Property.

### ***Leases***

To the best of each Obligor's knowledge, having made all reasonable enquiries, there is no breach by a tenant of, or non-compliance by a tenant with, the terms of any Lease of any Property to which that Obligor is a lessor which would reasonably be likely to have a Material Adverse Effect.

No Lease is by its terms subject to forfeiture or irritancy on any Insolvency Event of an Obligor.

### ***Headleases***

No Headlease (other than Headleases referred to in paragraph (d) of the section entitled 'Headleases' under the section 'Property Undertakings' below) under which any Obligor derives its estate or interest in a Property is, by its terms, subject to forfeiture or irritancy on any Insolvency Event of an Obligor.

### ***No breach of law***

No Obligor is in breach of any law (including tax law), regulations, agreements, orders, decrees, rules, judgments or licences where non-compliance has or would reasonably be likely to have a Material Adverse Effect.

### ***No other business***

No Obligor has traded or carried on any business since the date of its incorporation except for:

- (a) in the case of the Borrower Holdco, the ownership of the Borrower; and
- (b) in the case of the other Obligors:

- (i) the business of the acquisition, ownership, management, development and financing of the Properties and (only prior to the Closing Date) other properties of a similar nature; and/or
- (ii) acting as a holding company owning other Obligors and (only prior to the Closing Date) other subsidiaries and/or acting as a subsidiary of another Obligor and/or (only prior to the Closing Date) another holding company.

It is not party to any material agreement other than:

- (i) the Obligor Transaction Documents;
- (ii) the Mezzanine Transaction Documents;
- (iii) any agreements necessary or desirable in accordance with Good Industry Practice in connection with the ordinary course of its business; or
- (iv) with the consent of the Issuer.

The Borrower Holdco does not have any direct Subsidiaries other than the Borrower.

The Borrower does not have any direct Subsidiaries other than Obligor Holdco 1.

Obligor Holdco 1 does not have any direct Subsidiaries other than Obligor Holdco 2.

Obligor Holdco 2 does not have any direct Subsidiaries other than the Propcos and the Obligor Holdco 2 Management Companies.

No Propco has any Subsidiaries other than as follows:

- (A) in respect of PBSA 3 S.à r.l, GL Europe Summit UK Limited;
- (B) in respect of PBSA 2 S.à r.l, GL Europe Nottingham UK Limited; and
- (C) in respect of PBSA 1 S.à r.l, GL Europe South Yorkshire UK Limited.

No Management Company has any Subsidiaries.

No Obligor (other than each Management Company):

- (I) has, or has had, any employees; and
- (II) has any obligation in respect of any retirement benefit or occupational pension scheme.

No Management Company has any employees other than those required for the ordinary course of operation and management of its Property.

Each Obligor has complied with its information and consultation obligations in respect of all relevant transfers under TUPE in the six-year period prior to the date of the Issuer/Borrower Loan Agreement (or, in respect of an Obligor which has been incorporated for less than six years prior to the date of the Issuer/Borrower Loan Agreement, since the incorporation of such Obligor).

### ***Centre of main interests and establishments***

For the purposes of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the **Regulation**), its centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in its Original Jurisdiction and it has no "establishment" (as that term is used in Article 2(h) of the Regulations) in any other jurisdiction.

### ***Central administration***

Each Obligor incorporated in Luxembourg has its place of central administration (*administration centrale*) at the place of its registered office (*siege statutaire*) in Luxembourg.

### ***Ranking of security***

Each Obligor Security Document to which an Obligor is a party confers the Security Interest it purports to confer (and constitutes a first priority or ranking Security Interest) over all of the assets of that Obligor referred to therein and it is the absolute legal and beneficial owner or, in the case of Scottish assets, absolute owner, of the assets, and the beneficial interest therein, over which it purports to confer the Obligor Security (including, as applicable, the share capital in other Obligors) over which it purports to confer the Obligor Security (including, as applicable, the share capital in other Obligors) and that the Obligor Security is not subject to any prior or *pari passu* Security Interests and is valid and effective.

### ***Ownership***

The Borrower Holdco's entire issued share capital is legally and beneficially owned and controlled by the Mezzanine Loan Note Issuer.

The Borrower's entire issued share capital is legally and beneficially owned and controlled by the Borrower Holdco.

Obligor Holdco 1's entire issued share capital is legally and beneficially owned and controlled by the Borrower.

Obligor Holdco 2's entire issued share capital is legally and beneficially owned and controlled by Obligor Holdco 1.

Each Propco's and each Obligor Holdco 2 Management Company's entire issued share capital is legally and beneficially owned and controlled by Obligor Holdco 2.

GL Europe Summit UK Limited's entire issued share capital is legally and beneficially owned and controlled by PBSA 3 S.à r.l.

GL Europe Nottingham UK Limited's entire issued share capital is legally and beneficially owned and controlled by PBSA 2 S.à r.l.

GL Europe South Yorkshire UK Limited's entire issued share capital is legally and beneficially owned and controlled by PBSA 1 S.à r.l.

The shares in the capital of each Obligor are fully paid and are not subject to any option to purchase or similar rights.

The constitutional documents of each Obligor do not and could not restrict or inhibit any transfer of the shares of that Obligor on creation or enforcement of the security conferred by the Obligor Security Documents.

### ***Arm's length terms***

No Obligor has entered into any transaction with any person otherwise than on, or better than arm's length terms, provided that where an Obligor enters into more than one transaction with the same person all such transactions shall be considered together for this purpose.

### ***Environmental compliance***

Each relevant Obligor has performed and complied with and carried out processes on its Properties in accordance with applicable Environmental Law and Environmental Permits and all other covenants, conditions, restrictions or agreements directly or indirectly concerned with any contamination, pollution or waste or the release or discharge of any dangerous substance in connection with any Property, where failure to do so has or is reasonably likely to have a Material Adverse Effect, result in any liability for a Finance Party or materially adversely affect the value of the relevant Property and/or the Rental Income.

No Environmental Claim has been commenced or is threatened against any relevant Obligor in respect of any Property, where that claim would reasonably be likely, if determined against that Obligor, to have a Material Adverse Effect.

Except as disclosed in the Environmental Reports, there are no facts or circumstances which will, or are reasonably likely to, result in an Environmental Claim being commenced or threatened against any relevant Obligor, which Environmental Claim could reasonably be expected to be adversely determined against that Obligor and, if adversely determined against that Obligor, would reasonably be likely to have a Material Adverse Effect.

### ***Insurances***

Each Obligor has entered into or given effect to the Insurances, such Insurances are in full force and effect and there are no material outstanding claims under such Insurances.

There has been no material breach of any of the Insurances which may entitle the insurer thereunder to terminate such Insurances and which has not been remedied or waived in writing by the insurer thereunder.

All premiums in respect of the Insurances have been paid in full.

The rights to receive proceeds under each Insurance are capable of assignment.

### ***Financial Indebtedness***

No Obligor has any Financial Indebtedness outstanding other than any Permitted Financial Indebtedness.

### ***Security***

No Security Interest (or agreement to create the same) exists on or over its assets except as permitted by the Issuer/Borrower Loan Agreement (and the Mezzanine Finance Documents).

### ***Insolvency***

No Insolvency Proceedings or other procedure or steps towards Insolvency Proceedings have been commenced or taken against any Obligor nor are any Insolvency Proceedings pending or threatened in writing against any Obligor.

## ***Pensions***

In respect of each Obligor:

- (a) neither it nor any of its Subsidiaries is or has at any time been an employer (for the purposes of sections 38 to 51 of the Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pensions Schemes Act 1993); and
- (b) neither it nor any of its Subsidiaries is or has at any time been "connected" with or an "associate" of (as those terms are used in sections 38 and 43 of the Pensions Act 2004) such an employer.

## ***Taxes***

In respect of each Obligor:

- (a) it is not overdue in the filing of any Tax returns;
- (b) it has paid and discharged all Taxes due and payable by it prior to the accrual of any material fine or penalty for late payment; and

there are no claims which are current or pending against it with respect to Taxes.

## ***Reorganisation***

All steps set out in the report referred to in paragraph (h) of the definition of PwC Reports have been completed

## ***Repetition***

Certain of the representations are repeated by the Obligors on certain dates as specified in the Issuer/Borrower Loan Agreement.

## ***UNDERTAKINGS***

The Obligors will give various undertakings under the Issuer/Borrower Loan Agreement which will remain in force from the date of the Issuer/Borrower Loan Agreement for so long as any amount is outstanding under the Finance Documents. These undertakings include, among other things, the following:

### ***INFORMATION UNDERTAKINGS***

#### ***Financial statements***

The Borrower shall supply to the Obligor Security Trustee, the Issuer Security Trustee, the Rating Agencies, the Issuer LF Providers and the Issuer:

- (a) as soon as they are available, but in any event within 180 days after the end of each of its financial years:
  - (i) its audited consolidated financial statements and related accountants' reports for the Obligor Group for that financial year (prepared as if the Obligor Group constituted a statutory group for consolidation purposes); and



- (ii) the audited financial statements and related accountants' reports of each Obligor for that financial year,

such financial statements, in each case, to comprise, at a minimum, a profit and loss account, balance sheet and cashflow statement; and

- (b) as soon as the same become available, but in any event within 30 days after the end of each half of each financial year and financial year end, respectively, the consolidated half yearly and annual management accounts of the Obligor Group, prepared as if they constituted a statutory group for consolidation purposes (such accounts to comprise a profit and loss account, balance sheet and cashflow statement).

### ***Requirements as to financial statements and Management Report***

Each Obligor must ensure that each set of financial statements delivered by the Borrower pursuant to the section entitled "Financial statements" and each Management Report delivered pursuant to the section entitled "*Management Reports*":

- (a) shall be certified by a director of the relevant company as giving a true and fair view (if audited) or fairly representing (if unaudited) its financial condition as at the date at which those financial statements were drawn up; and
- (b) is prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Obligor (or if such Obligor has no Original Financial Statements, as applied to the Original Financial Statements of the other Obligors of the same Original Jurisdiction as such Obligor),

unless, in relation to any set of financial statements, it notifies the Issuer and the Obligor Security Trustee that there has been a change in GAAP, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Obligor) deliver to the Issuer and the Obligor Security Trustee:

- (c) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which that Obligor's Original Financial Statements were prepared (or if such Obligor has no Original Financial Statements, upon which the other Obligors', of the same Original Jurisdiction, Original Financial Statements were prepared); and
- (d) sufficient information, in form and substance as may be reasonably required by the Issuer or the Obligor Security Trustee, to enable the Issuer or the Obligor Security Trustee, as applicable, to make an accurate comparison between the financial position indicated in those financial statements and that Obligor's Original Financial Statements (or if such Obligor has no Original Financial Statements, the Original Financial Statements of the other Obligors of the same Original Jurisdiction) as such Obligor.

Any reference in the Issuer/Borrower Loan Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements (or if such Obligor has no Original Financial Statements, the Original Financial Statements of the other Obligors of the same Original Jurisdiction) as such Obligor were prepared.

### ***Borrower reporting***

The Borrower will on or prior to the date falling two Business Days after each Loan Interest Payment Date, provide the Servicer with the information the Servicer requires to produce the Servicer Half Yearly Report as required under the Servicing Agreement.

### ***Compliance Certificate***

The Borrower will provide to the Issuer, the Servicer, the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee, the Issuer LF Providers, any Hedge Counterparties, the Paying Agents and the Rating Agencies, a compliance certificate prepared by the Borrower or on the Borrower's behalf in accordance with the Issuer/Borrower Loan Agreement (a **Compliance Certificate**), within 20 Business Days following each Test Date or Projected Test Period (as applicable) containing, without limitation, calculations of the Loan to Value Ratio, the Historical NOI ICR and the Projected NOI ICR in respect of such Test Date. Each Compliance Certificate shall be signed by two directors of the Borrower without personal liability save as to fraud confirming that the statements made in the Compliance Certificate, as applicable, are accurate in all material respects.

### ***Investor calls***

The Borrower shall hold an annual conference call with the Noteholders, the Issuer LF Providers and the Issuer to address the information contained in the Servicer Half Yearly Report provided since the date of the previous call.

### ***Challenge to Compliance Certificates***

The Obligor Security Trustee and the Issuer shall within ten Business Days of receipt of a Compliance Certificate (the **Challenge Period**), have the right, (in the case of the Obligor Security Trustee, on the written instruction of the Issuer), to challenge (a **Challenge**) a statement, calculation or ratio in the Compliance Certificate (as applicable), and call for other substantiating evidence, where the Obligor Security Trustee or the Issuer has reason to believe that any statement, calculation or ratio in the Compliance Certificate is inaccurate or misleading in a manner that would result in there being a Trigger Event subsisting.

In respect of a Challenge, the Obligor Security Trustee or the Issuer must send a written notice (a **Challenge Notice**) within the Challenge Period to the Borrower stating the reason for the Challenge and requesting such substantiating evidence as is deemed necessary by the Obligor Security Trustee or the Issuer to investigate and/or confirm the statements, calculation and ratios contained in any Compliance Certificate or any accompanying statement.

Following the delivery of a Challenge Notice, the Borrower shall promptly (and in any event, within 14 days) provide or procure the provision of such information as the Obligor Security Trustee or the Issuer has requested (and may further request, subject always to the confidentiality provision of the Issuer/Borrower Loan Agreement).

If following receipt of any additional information, the Obligor Security Trustee (acting on the written instruction of the Issuer) or the Issuer continues to believe that a statement, calculation or ratio that is subject to the Challenge is materially inaccurate or misleading in a manner that would otherwise result in there being a Trigger Event subsisting (or if the Borrower responds to the Challenge Notice by informing the Obligor Security Trustee or the Issuer that it cannot provide the relevant information because it is confidential or commercially sensitive), then the Obligor Security Trustee shall, at the cost of the Borrower and in consultation with the Borrower, appoint an accounting firm of national repute and standing (in respect of the country of incorporation or establishment of the relevant Obligor, the details of which are the subject of the Challenge Notice) (the **Independent Expert**) to

investigate the relevant statement, calculation or ratio that is the subject of the challenge (the **Investigation Mandate**).

The Independent Expert shall be required to provide a report of its conclusions within 30 days of its appointment (or such other period as may be agreed between the Obligor Security Trustee acting on the written instruction of the Issuer, the Borrower and the Independent Expert), which report shall be binding and conclusive as to the Challenge in respect of which it was appointed.

### **Management Reports**

The Obligors will provide to the Servicer (and if requested by the Issuer or the Obligor Security Trustee, to the Issuer and the Obligor Security Trustee) the Management Report within 20 Business Days after each Test Date in respect of the Test Period ending on (and including) that Test Date and the Projected Test Period commencing on (but excluding) that Test Date.

The Management Report delivered in respect of a Test Date will contain, *inter alia*, the following information:

- (a) financial statements for the six month period ending on that Test Date and including a comparison of that period against the Annual Budget for profit and loss;
- (b) details of figures required for the purposes of calculating the Historical NOI ICR, the Projected NOI ICR and the Loan to Value Ratio in respect of that Test Date, together with a reconciliation against the financial statements used to calculate the Historical NOI ICR and the Projected NOI ICR;
- (c) details of any Sinking Fund Amount paid into each Sinking Fund Account in the Test Period ending on (and including that Test Date) (the **Relevant Test Period**) and amounts projected to be used from the Sinking Fund Accounts in the Projected Test Period commencing on (but excluding) that Test Date (the **Relevant Projected Test Period**), in each case, on a month by month basis;
- (d) details of the progress of any Enhancement Capex being carried out or any proposed Enhancement Capex to any Property as well as total expenditure on Enhancement Capex during the Relevant Test Period and the financial year to date and the expected date of completion of any Enhancement Capex, in each case above a *de minimis* amount of £50,000;
- (e) any update on or any proposed changes to the property strategy and the Annual Budget;
- (f) the actual Operating Costs incurred in each quarter for the six month period ending on that Test Date (including a comparison of that period against the Annual Budget) and the projected Operating Costs for each quarter in the six-month period starting on (but excluding) that Test Date;
- (g) a schedule of the existing tenants of Occupational Leases (other than Direct Occupational Leases), Institutional Leases and Rolling Agreements showing for each tenant the rent, service charge, VAT and other payments payable in the previous rental year by each of those tenants, to be provided in the Management Report delivered in October in each year only (with any material changes to be notified each quarter);
- (h) a breakdown of the rent points and forward sales position for the financial year within which that Test Date falls in respect of the students, including details of the number of rooms let

and rents achieved for each room type as against such rent points (to be provided at the beginning of each academic year only);

- (i) any other information in respect of the Properties, any Leases or any occupational tenant (and any guarantor or surety of that occupational tenant) of a Lease as the Issuer or the Obligor Security Trustee may reasonably request to the extent that any such information has not already been provided;
- (j) a structure chart of the Obligor Group including the holders of all shares, such a structure chart highlighting any changes to the structure from the previously issued structure chart or, to the extent that there have been no changes, a confirmation in writing that no changes have been made;
- (k) in the Management Report delivered in October in each year only, details of any Rolling Agreements for the forthcoming academic year;
- (l) copies of all material correspondence which may lead to a material diminution of rent or value under any Rolling Agreement, Occupational Lease or Institutional Lease received in the Relevant Test Period;
- (m) copies of all correspondence with insurance brokers handling the insurance of any Property relating to any material claims or material changes in insurance policies received in the Relevant Test Period;
- (n) details of any actual or required material repairs to each Property in the Relevant Test Period and Relevant Projected Test Period where the cost of such repairs are double the amount budgeted for repairs in the relevant quarter or where such repairs are budgeted to cost more than £50,000 in aggregate;
- (o) details of any acquisitions or disposals of a Property or Properties during the Relevant Test Period;
- (p) details of any material communication between an Obligor and a Facility Manager during the Relevant Test Period;
- (q) details of any change to the identity of any Asset Manager or Facility Manager or the re-allocation of services provided by any such person to another person;
- (r) details of the occupancy level of the Properties as at the most recent Test Date, including a comparison of the Relevant Test Period against the Annual Budget for profit and loss; and
- (s) any other information in relation to a Property reasonably requested by the Issuer or the Obligor Security Trustee to the extent that any such information has not already been provided.

### **Valuations**

The Obligors must provide, at their cost, to the Issuer, the Obligor Security Trustee, the Issuer Security Trustee, the Issuer LF Providers, the Issuer and any Hedge Counterparties, a copy of:

- (a) a desk top valuation prepared by the Valuer on a market value basis within 15 Business Days of each anniversary of the Closing Date (a **Desktop Valuation**);

- (b) a full valuation of the Properties (including a physical inspection of each Property by the Valuer) prepared by the Valuer on a market value basis (as defined in the then current Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards) (a **Full Valuation**) within 45 Business Days of the second anniversary of the date of delivery of the most recent Full Valuation (the first such date of delivery being the Closing Date); and
- (c) if a Trigger Event is continuing for 12 months and a valuation is requested (see above), a Full Valuation.

If a Trigger Event is continuing, and if requested by the Noteholders in accordance with the provisions of the Servicing Agreement, the Obligors will use commercially reasonable endeavours to provide the Issuer, the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee, the Issuer LF Providers and any Hedge Counterparties with a Full Valuation (such Full Valuation to be provided at the cost of the Noteholders in accordance with the Servicing Agreement).

In addition,

- (a) a Full Valuation will be provided at the cost of the Obligors in order to confirm satisfaction with the Loan to Value Ratio condition if the Obligors intend to incur additional Permitted Financial Indebtedness;
- (b) a Full Valuation will be provided at the cost of the Obligors if requested pursuant to the section entitled "*Trigger Event Consequences*" above; and
- (c) the Issuer or the Obligor Security Trustee can request a Valuation in accordance with the terms of the Issuer Borrower Loan Agreement.

Each Obligor shall, as soon as reasonably practicable upon becoming aware thereof, notify the Valuer, the Issuer and the Obligor Security Trustee of any items which would reasonably be likely to materially and adversely impact the market value of any or all of the Properties (including any breach of any covenant set out in the section entitled "*Property Undertakings*" below in respect thereof) in the next Valuation to be delivered by the Obligors pursuant to the provisions of the Issuer/Borrower Loan Agreement.

#### ***Information: miscellaneous***

The Obligors will be obliged to deliver other information to the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee, any Hedge Counterparty and the Issuer from time to time, including details of:

- (a) any downgrade action by the Rating Agencies in respect of the Notes including the Notes being put on negative credit watch;
- (b) at the same time as they are despatched, copies of all documents despatched by an Obligor to its shareholders generally (or any class of them) or its creditors generally (or any class of them);
- (c) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings or investigations which are current, threatened or pending against any member of the Obligor Group, and which might, if adversely determined, have a Material Adverse Effect;

- (d) promptly upon becoming aware of them, the details of any Environmental Claim which is current, threatened or pending against any Obligor which, if adversely determined, would have a Material Adverse Effect;
- (e) in respect of each Obligor which is not a Luxembourg Obligor, promptly, any warning notice or restriction notice (each as defined in Schedule 1B of the Companies Act 2006) issued after the date of the Issuer/Borrower Loan Agreement relating to any shares or other membership interests which are subject to or expressed to be subject to Obligor Security;
- (f) on a quarterly basis, any material changes to the schedule of the existing tenants of Lease Documents (other than Direct Occupational Leases) showing for each tenant the rent, service charge, VAT and other payments payable in the previous rental year by each of those tenants, to be provided in the Management Report delivered in October in each year;
- (g) promptly upon becoming aware of them, any facts or circumstances which shall or are reasonably likely to result in an Environmental Claim being commenced or threatened against any Obligor which, if adversely determined, would have a Material Adverse Effect; and
- (h) any other information reasonably requested by any Finance Party to the extent any such information has not already been provided.

#### ***Notification of Obligor Default or Trigger Event***

Each Obligor shall notify the Issuer and the Obligor Security Trustee of any Obligor Default and/or Trigger Event (and the steps, if any, being taken to remedy any such event) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).

Promptly upon a request by the Issuer or the Obligor Security Trustee, the Borrower shall supply to the Issuer and the Obligor Security Trustee a certificate signed by two of its directors or senior officers on its behalf certifying that no Obligor Default and/or Trigger Event is continuing (or if an Obligor Default and/or Trigger Event is continuing, specifying the Obligor Default and/or Trigger Event and the steps, if any, being taken to remedy it).

#### ***Obligor cash management***

No later than three Business Days prior to each Distribution Date, the Borrower will procure that the Servicer will provide relevant instructions to the Obligor Security Trustee (copied to the Issuer and the Issuer Cash Manager) required by the Obligor Security Trustee to make the relevant payments as required under the Issuer/Borrower Loan Agreement and will provide all information required by the Issuer Cash Manager to make all required calculations.

No later than four Business Days prior to each date on which a payment is to be made (other than a Distribution Date) out of a Rent Account, a Deposit Account, a Disposal Account, the Cure Account, the Lock-Up Account or the Defeasance Account, the Borrower will procure that the Servicer will provide relevant instructions to the Obligor Security Trustee (copied to the Issuer and the Issuer Cash Manager) required by the Obligor Security Trustee to make the relevant payments as required under the relevant provision of the section entitled "*Accounts*" above.

The Borrower will provide the Servicer with all information the Servicer requires in order to comply with the provisions above.

## ***Annual Budget***

The Borrower will procure that the Issuer and the Servicer are supplied with a copy of the Annual Budget for the forthcoming year by the end of September in each year. The Borrower will assist the Issuer and the Servicer with any questions that they may have and will provide such information as the Issuer and the Servicer may reasonably require.

## ***FINANCIAL COVENANTS***

The Financial Covenant Ratios will be breached, in respect of each Test Date, if:

- (a) the Historical NOI ICR is lower than 1.50x; or
- (b) the Projected NOI ICR is lower than 1.50x,

each a **Financial Covenant Ratio**.

The **Historical NOI ICR** will be calculated for each Test Date in respect of the 12-month period ending on (and including) such Test Date or, if less, the period from the Closing Date to (but not including) that Test Date (the **Test Period**) as the ratio of Actual NOI to Actual Finance Costs, provided that, if one or more new Properties is acquired after the Closing Date in connection with the incurrence of additional Permitted Financial Indebtedness in the six months prior to a Test Date, then the interest payable on the additional Financial Indebtedness and any Actual NOI related to the new Property or Properties (as the case may be) will be disregarded for the purposes of determining the Historical NOI ICR on that Test Date only (but not, for the avoidance of doubt, on any subsequent Test Date). For the purposes of:

- (a) the Test Period ending on the first Test Date to occur after the date of the Issuer/Borrower Loan Agreement, both Actual NOI and Actual Finance Costs will be determined by multiplying the Actual NOI and Actual Finance Costs for the one month period ending on that Test Date by 12 to give an annualised amount; and
- (b) the Test Date ending on the second Test Date to occur after the date of the Issuer/Borrower Loan Agreement, both Actual NOI and Actual Finance Costs will be determined by dividing the Actual NOI and Actual Finance Costs for the seven month period ending on that Test Date by seven and multiplying by 12 to give an annualised amount.

The **Projected NOI ICR** will be calculated for each Test Date in respect of the relevant 12-month period commencing on (but excluding) such Test Date (the **Projected Test Period**) as the ratio of Projected NOI to Projected Finance Costs.

The Projected NOI shall be calculated by reference to the most recent Management Report, historic trading and other relevant information including the following assumptions:

- (i) a break clause in a Lease Document will be deemed to be exercised at the earliest date available to the relevant tenant or counterparty and assuming that the Property will be re-let to the Borrower's reasonable and prudent estimation of the projected occupancy level attained over the previous 12-month period and at a rent at least equal to the then market rent; and
- (ii) to the extent that binding and unconditional Lease Documents have not been entered into, the Borrower may take into account its reasonable and prudent estimation of projected occupancy.

## ***Cure rights***

If a Compliance Certificate for any Test Date shows that there has been a breach of the Historical NOI ICR or the Projected NOI ICR (a **Financial Covenant Ratio Breach**), an Obligor may within 30 days of such Test Date:

- (a) make a prepayment of the Issuer/Borrower Loans and corresponding Notes in an amount at least sufficient to ensure compliance with the Historical NOI ICR and the Projected NOI ICR (recalculated assuming that such prepayment of the Issuer/Borrower Loans had taken place, in the case of any breach of the Historical NOI ICR, at the start of the Test Period ending on (and including) such Test Date and, in the case of any breach of the Projected NOI ICR, at the start of the Projected Test Period starting on (and excluding) such Test Date) (a **Covenant Breach Cure Payment**);
- (b) deposit into the Cure Account an amount sufficient to ensure compliance with the Historical NOI ICR and the Projected NOI ICR (recalculated assuming that the deposit has been applied in prepaying the Issuer/Borrower Loans, in the case of any breach of the Historical NOI ICR at the start of the Test Period ending on (and including) such Test Date and in the case of any breach of the Projected NOI ICR at the start of the Projected Test Period starting on (and excluding) such Test Date) (a **Cure Deposit**); or
- (c) procure that a Subsidiary of the Borrower acquires Properties to provide sufficient Actual NOI or Projected NOI, as applicable, to ensure compliance with the Historical NOI ICR and the Projected NOI ICR (recalculated to take account of such acquisition as if made, in the case of any breach of the Historical NOI ICR, at the start of the Test Period ending on (and including) such Test Date and in the case of any breach of the Projected NOI ICR at the start of the Projected Test Period starting on (and excluding) such Test Date),

each of paragraphs (a) to (c) above being a **Cure Right**.

If any voluntary prepayment of the Issuer/Borrower Loans is to be made under paragraph (a) above the Borrower must ensure that, on or before the date of such prepayment, an amount equal to the Associated Prepayment Costs for that prepayment is paid to the Issuer to be applied by the Issuer, together with the Covenant Breach Cure Payment, in accordance with the section entitled "*Voluntary prepayments*" above.

If one of the Cure Rights above is exercised, the Obligors will not be regarded as having breached the Historical NOI ICR or the Projected NOI ICR (as applicable), without prejudice to any subsequent breach.

A Cure Right may not be exercised on two consecutive Test Dates and may not be exercised more than four times in any five year period.

## ***GENERAL UNDERTAKINGS***

### ***No other business***

No Obligor shall trade or carry on any business except as expressly permitted by the Obligor Transaction Documents, including:

- (a) in the case of the Borrower Holdco, the ownership of the Borrower;
- (b) in the case of the Borrower, the ownership of Obligor Holdco 1;



- (c) in the case of Obligor Holdco 1, the ownership of Obligor Holdco 2;
- (d) in the case of Obligor Holdco 2, the ownership of the Propcos and the Obligor Holdco 2 Management Companies;
- (e) in the case of each Propco, the ownership, management and financing of its interests in the Properties and any directly related activities in any manner permitted by the Obligor Transaction Documents and the ownership of:
  - (i) in respect of PBSA 3 S.à r.l, GL Europe Summit UK Limited;
  - (ii) in respect of PBSA 2 S.à r.l, GL Europe Nottingham UK Limited; and
  - (iii) in respect of PBSA 1 S.à r.l, GL Europe South Yorkshire UK Limited;
- (f) in the case of each Management Company, the management of the Properties; and
- (g) in the case of an Obligor that is a holding company, in the ordinary course of its holding company activities in relation to the ownership of shares in its subsidiaries, intra-group debit balances and credit balances and the incurrence of liabilities and effecting of other transactions in compliance with the Obligor Transaction Documents.

The Borrower Holdco will not have any direct Subsidiaries other than the Borrower.

The Borrower will not have any direct Subsidiaries other than Obligor Holdco 1.

Obligor Holdco 1 will not have any direct Subsidiary other than Obligor Holdco 2.

Obligor Holdco 2 will not have any direct Subsidiary other than the Propcos and the Obligor Holdco 2 Management Companies.

No Propco will have any Subsidiaries other than:

- (i) in respect of PBSA 3 S.à r.l, GL Europe Summit UK Limited;
- (ii) in respect of PBSA 2 S.à r.l, GL Europe Nottingham UK Limited; and
- (iii) in respect of PBSA 1 S.à r.l, GL Europe South Yorkshire UK Limited.

No Management Company will have any Subsidiaries.

No Obligor (other than the Management Companies):

- (A) will have any employees; and
- (B) will have any obligation in respect of any retirement benefit or occupational pension scheme.

The Management Companies will:

- (I) not effect collective terminations or redundancies without the prior written consent of the Issuer, not to be unreasonably withheld; and
- (II) comply with their information and consultation obligations in respect of all relevant transfers under TUPE.

Each Obligor shall remain the absolute legal and/or beneficial owner of all of its assets (including the Properties, as applicable) subject to the Obligor Security Documents to which it is a party, and remain entitled to use all of its assets (including the Properties, as applicable) as necessary or desirable to carry on its business, except as permitted or contemplated by the Obligor Transaction Documents.

Notwithstanding the provisions described above, there shall be no breach of undertaking described in this section entitled "*No other business*" if the Obligors dispose of a Property (or the shares of any Obligor) in accordance with the section entitled "*Disposals*" below or acquire a property which becomes a Property (or the shares of an entity which owns a property which will become an Obligor and a Property respectively) in accordance with the section entitled "*Acquisitions*" below.

### ***Authorisations***

Each Obligor must:

- (a) promptly obtain, comply with and do all that is necessary to maintain in full force and effect;
- (b) not agree to alter (other than for the purposes of renewal or replacement); and
- (c) promptly supply certified copies to the Issuer and the Obligor Security Trustee of,

any Authorisation required under any law or regulation to:

- (d) enable it to perform its obligations under the Obligor Transaction Documents and to ensure the legality, validity, enforceability or admissibility in evidence of any Obligor Transaction Document; or
- (e) own its assets and carry on its business as it is being conducted.

### ***Compliance with laws***

Each Obligor shall comply in all respects with all judgments, laws, rules, regulations, agreements, orders or decrees to which it may be subject, if failure to do so has or is reasonably likely to have a Material Adverse Effect.

Each Obligor shall obtain and comply with and maintain in force any Authorisation required to own its assets and carry on its business as it is being conducted.

Each Obligor will complete all Perfection Requirements as soon as possible after the Closing Date.

### ***Pari passu ranking***

Each Obligor must ensure that its payment obligations under the Obligor Transaction Documents at all times rank at least *pari passu* with the claims of all unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

Each Obligor must ensure that at all times, save for claims mandatorily preferred by law, the Obligor Security granted by it is not subject to any prior or *pari passu* Security Interest (other than those contemplated or permitted by the Obligor Transaction Documents) and the Obligor Security ranks prior to the claims of all unsecured and unsubordinated creditors.

### ***Negative pledge***

**Quasi-Security** means an arrangement or transaction described in the section entitled “*No disposals in respect of Financial Indebtedness*” below.

No Obligor shall create or permit to subsist any Security Interest or (as the case may be) Quasi-Security over the whole or any part of any of its present or future assets.

The above does not apply to any Security Interest or (as the case may be) Quasi-Security, listed below:

- (a) the Obligor Security;
- (b) any netting or set-off arrangements under any Hedging Agreement;
- (c) any lien arising by operation of law and in the ordinary course of trading either securing amounts not more than 60 days overdue or, if more than 60 days overdue, which are being contested in good faith; or
- (d) any Security Interest or Quasi-Security created with the prior written consent of the Issuer.

### ***No disposals in respect of Financial Indebtedness***

No Obligor shall, either in a single transaction or in a series of transactions (whether related or not), and whether voluntarily or involuntarily:

- (a) sell, transfer, convey, licence, lend, lease or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any of its related entities;
- (b) sell, transfer, convey, licence, lend, lease or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

### ***Disposals***

- (a) No Obligor shall enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, transfer, convey, licence, lend, lease or otherwise dispose of the whole or any part of its assets or property.
- (b) The restriction on disposals shall not apply to:
  - (i) the disposal of obsolete assets which are not expressed to be subject to a fixed charge or fixed security under any Obligor Security Document, have outlasted their useful life and which are no longer required;
  - (ii) expenditure of cash from an Obligor Account in a manner permitted in the Issuer/Borrower Loan Agreement;

- (iii) the disposal of assets which are subject to a floating charge, and not expressed to be subject to a fixed charge or fixed security, under any Obligor Security Document and such disposal is made in the ordinary course of business;
  - (iv) the grant of any Direct Occupational Lease, Management Company Lease, Rolling Agreement, Institutional Lease or Agreement for Lease or other lease entered into by an Obligor in accordance with the Issuer/Borrower Loan Agreement;
  - (v) any disposal of an interest in a Property to an existing Obligor or to a new Obligor simultaneously with the accession of such new Obligor to the Issuer/Borrower Loan Agreement;
  - (vi) any disposal made with the prior written consent of the Issuer; or
  - (vii) a disposal of a Property or shares in a Propco undertaken in accordance with paragraph (c) to paragraph (h) (inclusive) below.
- (c) An Obligor may dispose of a Property or shares in a Propco if:
- (i) the Property Portfolio Criteria remain satisfied following a disposal of any Property (or the disposal of shares in a Propco);
  - (ii) no Obligor Default is continuing or would result from that disposal;
  - (iii) either (A) the Net Disposal Proceeds are less than £1,000,000 or (B) the Net Disposal Proceeds arising from the disposal of any Property (or the shares in any Obligor owning any Property) will be equivalent to or greater than (when taken with any additional amount of cash paid to the relevant Obligor by way of equity or Subordinated Debt in connection with and simultaneously with such disposal) the aggregate of the relevant Senior Required Redemption Amount and the relevant Mezzanine Required Redemption Amount;
  - (iv) each of the Historical NOI ICR and the Projected NOI ICR in respect of the Properties that would remain following that disposal is at least 2.50x;
  - (v) such disposal is made in the ordinary course of business and on arm's length terms;
  - (vi) the relevant Obligor gives the Issuer and the Obligor Security Trustee five Business Days' prior written notice of the disposal of any Property (or the shares in any Obligor owning any Properties) and confirms that the Net Disposal Proceeds are to be applied in accordance with paragraph (h) below;
  - (vii) the relevant Obligor gives to the Issuer, not less than two Business Days prior to the disposal of any Property (or the shares in any Obligor owning any Property), a disposal certificate in the form scheduled to the Issuer/Borrower Loan Agreement confirming the above in respect of that Property (or those shares);
  - (viii) if such disposal relates to a Property (the **Burdened Property**) over which another Property (the **Benefited Property**) benefits from vehicular and/or pedestrian access and the Benefited Property will remain a Property following the disposal of the Burdened Property, adequate, permanent, unrestricted and uninterruptable rights of vehicular and/or pedestrian access (as the case may be) over the relevant parts of the Burdened Property have been granted for the benefit of the Benefited Property; and

- (ix) such disposal relates to the whole (and not part) of a Property or all of the shares (and not some) of an Obligor.
- (d) For the purposes of the general undertakings:
  - (i) **Net Disposal Proceeds** means any Disposal Proceeds in connection with the disposal of an Obligor's Property or its shares, less:
    - (A) any direct costs and expenses (including, for the avoidance of doubt, any VAT chargeable in respect of such costs and expenses) properly and reasonably incurred in connection with such disposal; and
    - (B) any amount in respect of any tax payable by the relevant Obligor to a tax authority in relation to that disposal; and
  - (ii) **Net Disposal Minimum Proceeds** means all Net Disposal Proceeds received by an Obligor in respect of the disposal of a Property or the shares in an Obligor, where those proceeds exceed £1,000,000 in aggregate, together with any additional amount of cash paid to the relevant Obligor by way of equity or Subordinated Debt in connection with and simultaneously with such disposal required for paragraph (c)(iii) above to be complied with.
- (e) The amount of any Net Disposal Proceeds that are not Net Disposal Minimum Proceeds shall be for the account of the relevant Propco and will be deposited into that Propco's General Account unless a Trigger Event or Obligor Default is continuing at that time, in which case such amounts will be deposited into the Lock-Up Account.
- (f) A Property disposed of, or a Property owned by a Propco the shares of which are disposed of, will cease to be a Property, as defined in the Issuer/Borrower Loan Agreement.
- (g) If the disposal of any Property (or the shares in any Obligor owning any Property) results in :
  - (i) a Propco owning no Properties or assets and any Net Disposal Proceeds arising from the disposal of any Properties previously owned by such Obligor have been applied in accordance with the Obligor Transaction Documents; or
  - (ii) a Management Company no longer managing or leasing any Properties,
 the Obligor Security Trustee shall:
  - (A) upon request of the Borrower (on behalf of such Obligor); and
  - (B) subject to receiving confirmation to its satisfaction, in accordance with the provisions of the Issuer/Borrower Loan Agreement, that such party ceasing to be an Obligor and the release and discharge of the Obligor Security over its assets (if any) and all shares of that Obligor shall not cause any member of the Obligor Group to incur material liability to Tax in respect of such secession, release and/or discharge,
 execute a Secession Memorandum in accordance with the provisions of the Issuer/Borrower Loan Agreement.
- (h) The Obligors must ensure that all Net Disposal Minimum Proceeds are immediately paid into the relevant Disposal Account for application in accordance with the section entitled "*Disposal Accounts*".

## ***Financial Indebtedness***

No Obligor may incur or permit to be outstanding any Financial Indebtedness, other than Permitted Financial Indebtedness.

The Mezzanine Loan Note Issuer shall not incur any New Financial Indebtedness (as defined in the Mezzanine Loan Note Agreement) where the terms of such New Financial Indebtedness include any representation or warranty, covenant, undertaking (other than any payment undertaking), event of default (howsoever described or defined), indemnity or mandatory prepayment provision, which in each case is more onerous upon the Mezzanine Obligors and/or the Obligors than the equivalent terms that apply to the existing Mezzanine Loan Notes without the consent of the Issuer, provided that:

- (a) such consent is not to be unreasonably withheld or delayed;
- (b) if no consent or refusal of consent has been given within ten Business Days of the delivery to the Issuer (with a copy to the Servicer and the Special Servicer) of a request setting out in reasonable detail the provision in respect of which consent is sought and the reasons for its requested inclusion, the consent of the Issuer shall be deemed to have been given. Such request shall not be considered as duly delivered if (a) it is not also delivered, at the same time, to the Servicer and the Special Servicer and (b) it does not contain in the heading of the email with the request (if the communication is by email) or have on the envelope and on the front cover of the request the words (if the communication is by post), in large bold-face type, "URGENT, FAILURE TO RESPOND WILL RESULT IN A DEEMED CONSENT" and does not refer to Clause 20.7 of the Issuer Borrower Loan Agreement;
- (c) any such provision which is included by reason of: (A) the due diligence delivered in connection with the additional Property or Properties being acquired with the proceeds of such New Financial Indebtedness; (B) a change in applicable law or to reflect the prevailing market standard in arm's length third party financings of assets of an equivalent type, will not be subject to consent of the Issuer under paragraph (b) above; and
- (d) for the avoidance of doubt, nothing in this paragraph (b) shall restrict the quantum, price or fees related to such New Financial Indebtedness.

If the Mezzanine Loan Note Issuer intends to incur any New Financial Indebtedness (as defined in the Mezzanine Loan Note Agreement) the terms of which, in accordance with the paragraph above, will contain any representation or warranty, covenant, undertaking (other than any payment undertaking), event of default (howsoever described or defined) indemnity or mandatory prepayment provision, which is more onerous upon the Obligors and/or the Mezzanine Obligors than the terms that apply to the existing Mezzanine Loan Notes, but to which the Issuer has granted consent in accordance with the provisions of the paragraph above or such consent is deemed to have been given, the Parties agree that the Issuer/Borrower Loan Agreement and any other Finance Document shall, as soon as reasonably practicable, be amended as necessary in order to include such representation or warranty, covenant, undertaking, event of default (howsoever described or defined), indemnity or mandatory prepayment provision for the benefit of the Issuer. Each Party will do all such acts and things, at the cost of the Obligors, required in order to effect any amendment to the Issuer/Borrower Loan Agreement and any other Finance Document contemplated by this paragraph.

### ***Lending and guarantees***

No Obligor may make or agree to make or permit to be outstanding any loans or be the creditor in respect of any Financial Indebtedness, other than Financial Indebtedness which is a Permitted Loan.

No Obligor may

- (a) grant, benefit, give or allow to be outstanding; or
- (b) pay or discharge or receive (including, without limitation, by way of set-off or combination of accounts),

any guarantee, indemnity, bond, letter of credit or similar assurance against financial loss in support of any Financial Indebtedness owed by it or any other person to or for the benefit of any person or enter into any document under which that Obligor assumes any liability of any other person, other than any Permitted Guarantees.

### ***Merger***

No Obligor shall enter into any amalgamation, demerger, merger or corporate reconstruction without the prior written consent of the Issuer, other than a disposal permitted under the terms set out in the section entitled "*Disposals*" above.

### ***Conduct of business***

Each Obligor shall conduct its business in a reasonable and prudent manner in accordance with all applicable laws, regulations, agreements, judgments, and decrees, and its memorandum and articles of association or other constitutional documents and Good Industry Practice and the Obligor Transaction Documents.

No Obligor may, without the prior written consent of the Obligor Security Trustee, change its memorandum or articles of association or other constitutional documents, where such change has or would reasonably be likely to be materially prejudicial to the Obligor Secured Creditors.

### ***Acquisitions***

No Obligor may acquire or make any investment in any property or assets unless the relevant Obligor gives an acquisition certificate in the form scheduled to the Issuer/Borrower Loan Agreement confirming the conditions set out below (the **Acquisition Conditions**) are satisfied:

- (a) the Property Portfolio Criteria will be satisfied following such acquisition;
- (b) the Incoming Property Criteria will be satisfied in respect of such acquisition;
- (c) the Loan to Value Ratio immediately following such acquisition is equal to or lower than the Loan to Value Ratio immediately prior to such acquisition;
- (d) the Whole Loan to Value Ratio is equal to or lower than 73 per cent. following such acquisition;
- (e) each of the Historical NOI ICR and the Projected NOI ICR immediately following such acquisition is no lower than 0.1 less than the Historical NOI ICR and the Projected NOI ICR (as applicable) immediately prior to such acquisition;

- (f) if such acquisition is partially or fully funded from amounts deposited into a Disposal Account, each of the Historical NOI ICR and the Projected NOI ICR immediately following such acquisition are each no lower than 0.1 less than the Historical NOI ICR and the Projected NOI ICR (as applicable) on the Closing Date;
- (g) if such acquisition is partially or fully funded from amounts deposited into a Disposal Account, the aggregate value of all Incoming Properties partially or fully funded from amounts deposited into the Disposal Accounts in each rolling five-year period commencing on the Closing Date (based on their value at the time of inclusion into the Property Portfolio) is no greater than 25 per cent. of the then aggregate market value of the Property Portfolio (by reference to the most recent Valuation for each Property at such time) following such acquisition (or such other percentage as will not cause the then current rating of the Notes to be downgraded as a result thereof);
- (h) such acquisition is made in the ordinary course of business and on arm's length terms;
- (i) the further conditions precedent set out in the Issuer/Borrower Loan Agreement are satisfied;
- (j) if the acquisition of a Property involves the acquisition by an Obligor of any shares in a company owning (directly or indirectly) that Property, that company becomes an Obligor in accordance with the terms of the Issuer/Borrower Loan Agreement; and
- (k) no Obligor Event of Default has occurred and is continuing prior to the entry into the contract for such acquisition or would result from such acquisition.

The **Property Portfolio Criteria** are satisfied in relation to the Properties following an acquisition of any Property by an Obligor if:

- (i) the main purpose of each Property is student accommodation;
- (ii) each Property is a freehold or heritable Property or long leasehold interest on standard market terms or, if not on standard market terms, then the subject of title insurance held in the name of the relevant Obligor and satisfactory to the Issuer;
- (iii) if a Property is a long leasehold interest, all covenants and undertakings of the landlord have been complied with and no breach exists which would cause any tenant of the Property to withhold rent;
- (iv) the Property Portfolio contains a minimum of eight Properties at all times located in at least three cities and towns in the United Kingdom, including London;
- (v) no more than 30 per cent. of the Properties (as determined by reference to the aggregate value of the Properties (by reference to the most recent Valuation for each Property)) can be in a city or town without a UK top 50 ranked higher education institution and no more than 15 per cent. of the Properties (as determined by reference to the aggregate value of the Properties (by reference to the most recent Valuation for each Property)) can be in a city or town without a UK top 75 ranked higher education institution (as ranked by the Sunday Times Good University Guide or, if that is no longer published, the Complete University Guide and, if that is no longer published, a ranking guide to be agreed with the Issuer);
- (vi) no more than 50 per cent. of the rooms of all Properties can be concentrated in one city or town; and
- (vii) at least 88 per cent. of the bedrooms of all Properties have an en-suite bathroom.



The **Incoming Property Criteria** are satisfied in relation to any Incoming Property if:

- (A) any Incoming Property that is a long leasehold property has a minimum 75-year term, with a peppercorn/nominal rent and all covenants and undertakings of the landlord have been complied with in all material respects and no breach exists that would cause the tenant to withhold rent; and
- (B) the occupancy of all Incoming Properties is at least 90 per cent. or the Obligor provide evidence of 90 per cent. occupancy for the forthcoming academic year; and
- (C) the Incoming Property is in a city or town with at least 15,000 higher education students; and
- (D) if any Incoming Property is in a city or town where no Property (prior to the acquisition of the Incoming Property) is located, then at the time of the acquisition or refinancing of the Incoming Property (or Incoming Properties), such Incoming Property (or Incoming Properties) located in that city or town has a minimum of 250 student accommodation beds (in aggregate if there is more than one Incoming Property in that city or town).

If the acquisition of any Property involves the acquisition by an Obligor of any shares in any company owning (directly or indirectly) that Property, such company shall become an Obligor by, among other things, delivering to the Obligor Security Trustee an Accession Memorandum duly executed by such company and shall accede as an Obligor to, among other things, the Issuer/Borrower Loan Agreement, the Obligor Deed of Charge and, in certain circumstances, the Tax Deed of Covenant.

#### ***Other agreements***

No Obligor may enter into any material agreement other than:

- (a) the Obligor Transaction Documents;
- (b) the Mezzanine Transaction Documents;
- (c) any other agreement expressly allowed under any other term of the Issuer/Borrower Loan Agreement;
- (d) any agreements necessary or desirable in accordance with Good Industry Practice in connection with the ordinary course of its business; or
- (e) with the consent of the Issuer.

#### ***Shares, dividends, share redemption and Subordinated Debt***

No Obligor shall issue any further shares or amend any rights attaching to its issued shares unless such issuance or amendment constitutes a Permitted Share Issuance.

No Obligor shall:

- (a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital) or other distribution, fee or expense in the nature or intended to act as a distribution of any of its shareholders;
- (b) repay or distribute any dividend or share premium reserve;

- (c) pay any management, advisory or other fee to or to the order of any of its shareholders (other than the payment of any asset management fees to the Asset Manager under and in accordance with the relevant Asset Management Agreement up to the limit referred to in paragraph (b) of the definition of Operating Costs);
- (d) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so;
- (e) issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or
- (f) make any payments in respect of any Subordinated Debt.

This does not apply to any such action which is funded by the making of a Permitted Payment or any transaction which has received the prior written consent of the Issuer.

### ***VAT group***

No Obligor may be a member of a value added tax group.

### ***Taxes***

Each Obligor must pay all Taxes due and payable by it prior to the accrual of any fine or penalty for late payment, unless (and only to the extent that):

- (a) payment of those Taxes can be lawfully withheld and is being contested in good faith;
- (b) adequate reserves are being maintained for those Taxes and the costs required to contest them; and
- (c) failure to pay those Taxes is not reasonably likely to have a Material Adverse Effect.

Each Obligor must ensure that its residence for Tax purposes is in its Original Jurisdiction.

Each Obligor must comply with its obligations under the Tax Deed of Covenant.

Each Obligor must file all Tax returns required to be made by it to any tax authority and must use reasonable endeavours to file each such return (or procure that each such return is filed) no later than the date on which that return is required to be filed with the relevant tax authority to avoid any penalty.

The Borrower shall promptly notify the Issuer of any claims which arise against the Borrower or any other Obligor with respect to Taxes which, if adversely determined, would have, or would be reasonably likely to have, a Material Adverse Effect.

### ***Ownership***

The Borrower Holdco must ensure that at all times it legally and beneficially owns and controls the entire share capital of the Borrower.

The Borrower must ensure that at all times it legally and beneficially owns and controls the entire share capital of Obligor Holdco 1.

Obligor Holdco 1 must ensure that at all times it legally and beneficially owns and controls the entire share capital of Obligor Holdco 2.

Obligor Holdco 2 must ensure that at all times it legally and beneficially owns and controls the entire share capital of each Propco and each Obligor Holdco 2 Management Company.

Each Propco must ensure that at all times it legally and beneficially owns and controls the entire share capital of the following Management Companies:

- (a) in respect of PBSA 3 S.à r.l., GL Europe Summit UK Limited;
- (b) in respect of PBSA 2 S.à r.l., GL Europe Nottingham UK Limited; and
- (c) in respect of PBSA 1 S.à r.l., GL Europe South Yorkshire UK Limited.

### ***Arm's length transactions***

Each Obligor will only enter into transactions, whether with other Obligors or any other Affiliate or otherwise, in good faith for its own benefit and on arm's length commercial terms, provided that where an Obligor enters into more than one transaction with the same person all such transactions shall be considered together for this purpose.

### ***Centre of main interests***

For the purposes of the Regulation, each Obligor shall not change such Obligor's centre of main interest (as that term is used in Article 3(1) of the Regulation) from its jurisdiction of incorporation to any other jurisdiction, and shall not create an establishment (as defined in the Regulation) outside such jurisdiction of incorporation, without the consent of the Issuer.

### ***Central administration***

Each Obligor shall not change the place of central administration (*administration centrale*) of any Obligor from the place of its registered office (*siège statutaire*) and jurisdiction of incorporation to any other jurisdiction, without the consent of the Issuer.

### ***Purchase of Notes by Obligors***

No Obligor may purchase any Notes unless:

- (a) no Obligor Event of Default is outstanding or would occur as a result of such purchase;
- (b) the Notes are purchased on arm's length terms; and
- (c) if a Trigger Event is outstanding:
  - (i) the acquisition of the Notes by that Obligor is funded by way of equity or a Subordinated Debt or out of cash standing to the credit of the Lock-Up Account or the Defeasance Account; and
  - (ii) the purchase price for the Notes is less than or equal to their redemption amount which would apply if the Notes were redeemed by the Issuer using a prepayment by the Borrower of an equivalent notional amount of the corresponding Issuer/Borrower Loan plus accrued interest (but, for the avoidance of doubt, no such restriction on the purchase price of the Notes will apply if no Trigger Event is outstanding).

Notes purchased by an Obligor (including the Borrower) must be surrendered by that Obligor to the Issuer for cancellation in accordance with the Issuer/Borrower Loan Agreement. Following such surrender, an amount of the corresponding Issuer/Borrower Loans equal to the Principal Amount

Outstanding of such Notes shall then be treated as having been repaid in accordance with the Issuer/Borrower Loan Agreement.

If an Obligor or any other member of the Brookfield Group or any Sponsor Affiliate holds any Notes, each such entity shall not exercise any voting rights with respect to such Notes held by it.

### ***Hedging***

- (a) Subject to the other provisions of this “*Hedging*” paragraph, the Obligors shall not enter into any derivative transactions in connection with any fluctuation in rate or price or otherwise.
- (b) In respect of any New Financial Indebtedness incurred as a Floating Rate Loan, the Borrower will enter into one or more Interest Rate Hedging Transactions with an aggregate notional amount equal to 100 per cent. of the principal amount of such Floating Rate Loan.
- (c) No Hedge can be entered into for speculative purposes, and each Hedge will be required to be either a swap or a cap only.
- (d) Each Hedge Counterparty must have the Hedge Counterparty Minimum Ratings on the date of entry of: (i) the Hedging Agreement; and (ii) each Interest Rate Hedging Transaction.
- (e) Each Hedging Agreement shall:
  - (i) be with a Hedge Counterparty;
  - (ii) be for a term equivalent to each relevant Floating Rate Loan;
  - (iii) have settlement dates coinciding with the Loan Interest Payment Dates (with actual payment being made before noon on each Distribution Date);
  - (iv) be based on an ISDA Master Agreement (and associated schedule and confirmation) and otherwise in form and substance satisfactory to the Issuer;
  - (v) be denominated in sterling; and
  - (vi) reflect any applicable Rating Agency criteria.
- (f) Each Interest Rate Hedging Transaction will be entered into at market rates and on arm's length terms.
- (g) The rights of the Borrower under the Hedging Agreements shall be charged or assigned by way of security under an Obligor Security Document.
- (h) No inflation linked (including, without limitation, linked to a retail price index or a consumer price index) transactions or currency transactions may be entered into.
- (i) Neither a Hedge Counterparty nor the Borrower may amend, supplement, extend or waive the terms of any Hedging Agreement without the consent of the Issuer. This shall not apply to an amendment, supplement or waiver that is administrative and mechanical in nature and does not give rise to a conflict with any provision of the Issuer/Borrower Loan Agreement.
- (j) If, at any time, the aggregate notional amount of the Interest Rate Hedging Transactions in respect of the Floating Rate Loans exceeds or, as a result of a prepayment, will exceed 100 per cent. of the aggregate principal amount of the Floating Rate Loans then outstanding to the Borrower, the Borrower must procure the reduction of the aggregate notional amount of

the Interest Rate Hedging Transactions in respect of the relevant Floating Rate Loans by an amount and in a manner satisfactory to the Issuer so that it no longer exceeds or will not exceed 100 per cent. of the aggregate principal amount of the Floating Rate Loans, as applicable, to the Borrower. This shall not apply to any transactions in respect of any Hedging Agreement under which the Borrower has no actual or contingent liabilities.

- (k) Notwithstanding paragraph (j) above, in the event that the Borrower fails to procure the reduction of the aggregate notional amount of the Interest Rate Hedging Transactions being in excess of the aggregate principal amount of the Floating Rate Loans then outstanding, within five Business Days of a request from the Issuer, each Hedge Counterparty may terminate or close out all or part of its Interest Rate Hedging Transaction, to reduce the aggregate notional amount of the Interest Rate Hedging Transactions to an amount equal to the aggregate principal amount of the Floating Rate Loans then outstanding.
- (l) Neither a Hedge Counterparty nor the Borrower may terminate or close out any transactions in respect of any Hedging Agreement (in whole or in part) except:
  - (i) in accordance with paragraph (k) above;
  - (ii) if an Illegality (as that term is defined in the applicable ISDA Master Agreement) has occurred;
  - (iii) in the case of termination or closing out by a Hedge Counterparty, if the Borrower is in breach of its payment obligations under any transaction in respect of that Hedging Agreement and such breach is not remedied on or before the fifth Business Day after notice of such breach is given to the Borrower;
  - (iv) in the case of termination or closing out by a Hedge Counterparty, if an Obligor Event of Default has occurred pursuant to the sections entitled "*Insolvency*" or "*Insolvency proceedings*";
  - (v) if a "Force Majeure Event" (as that term is defined in the applicable ISDA Master Agreement) has occurred in relation to that Hedging Agreement;
  - (vi) if all the Floating Rate Loans have been unconditionally and irrevocably paid and discharged in full;
  - (vii) in the case of termination or closing out by a Hedge Counterparty, if the Issuer or the Obligor Security Trustee serves notice under paragraph (a) of the section entitled "*Acceleration*" or, having served notice under paragraph (a) of the section entitled "*Acceleration*", makes a demand pursuant thereto;
  - (viii) in the case of a termination or closing out by the Borrower, if an event of default has occurred and is continuing in respect of the relevant Hedge Counterparty under the terms of the relevant Hedging Agreement;
  - (ix) in the case of a termination or closing out by the Borrower, following a downgrade in the credit rating of the relevant Hedge Counterparty resulting in the Hedge Counterparty no longer meeting the Hedge Counterparty Minimum Ratings (unless such matter can be remedied to the satisfaction of the relevant Rating Agencies);
  - (x) in the case of any other termination or closing out by a Hedge Counterparty or the Borrower, with the consent of the Issuer; or

- (xi) in the case of a termination or closing out by a Hedge Counterparty, at the request of the Issuer or the Obligor Security Trustee if the Hedge Counterparty has suspended payments made under paragraph (o) below.
- (m) If a Hedge Counterparty or the Borrower terminates or closes out a transaction in respect of a Hedging Agreement (in whole or in part) in accordance with:
  - (i) (in the case of a Hedge Counterparty or the Borrower) paragraphs (l)(ii), (l)(v), (l)(vi) or (l)(x) above;
  - (ii) (in the case of a Hedge Counterparty only) paragraphs (l)(iii), (l)(iv), (l)(vii) or (l)(xi); or
  - (iii) (in the case of the Borrower only) (l)(i), ((l)(viii) or (l)(ix),
 it shall promptly notify the Issuer of that termination or close out.
- (n) If a Hedge Counterparty is entitled to terminate or close out any transaction in respect of any Hedging Agreement under paragraph (l)(vii) above, such Hedge Counterparty shall promptly terminate or close out such transaction following a request to do so by the Obligor Security Trustee.
- (o) A Hedge Counterparty may only suspend making payments under a transaction in respect of a Hedging Agreement if:
  - (i) the relevant Borrower is in breach of its payment obligations under any transaction in respect of that Hedging Agreement;
  - (ii) the Agent serves notice under the section entitled "*Acceleration*" or, having served notice under the section entitled "*Acceleration*", makes a demand;
  - (iii) an Obligor Event of Default has occurred pursuant to the section entitled "*Insolvency*" or "*Insolvency proceedings*"; or
  - (iv) the Hedge Counterparty's suspension is compelled by any law or regulation, or any legal or regulatory proceeding, process or action, including any stay applicable in a bankruptcy or insolvency proceeding.
- (p) Each Hedge Counterparty consents to, and acknowledges notices of, the charging or assigning by way of security by the Borrower pursuant to the relevant Obligor Security Documents of its rights under the Hedging Agreements to which it is party in favour of the Obligor Security Trustee. Any such charging or assigning by way of security is without prejudice to, and after giving effect to, the operation of any payment or close-out netting in respect of any amounts owing under any Hedging Agreement.

#### ***Ascertaining the amount outstanding of the Notes held by Affiliates***

The Borrower shall, upon receiving a written request from the Obligor Security Trustee, the Note Trustee or the Issuer (as the case may be), deliver to the Obligor Security Trustee, the Note Trustee or the Issuer (as the case may be) a certificate setting out, *inter alia*, details of the aggregate principal amount outstanding of Notes which, for the time being, are held by any Obligor or any other member of the Brookfield Group or any Sponsor Affiliate.

## ***Pensions***

The Obligor will ensure that no member of the Brookfield Group is or has been at any time an employer (for the purposes of sections 38 to 51 of the Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pension Schemes Act 1993) or "connected" with or an "associate" of (as those terms are used in section 38 or 43 of the Pensions Act 2004) such an employer.

## ***People with significant control regime***

Each member of the Obligor Group must:

- (a) comply on time with any notice it receives under Part 21A or Schedule 1B of the Companies Act 2006 from any company incorporated in the United Kingdom whose shares are subject to any Security Interest created under any Obligor Security Document; and
- (b) promptly provide the Obligor Security Trustee with a copy of any such notice.

## ***Structural Intra-Group Loans***

- (a) Where the Mezzanine Loan Note Issuer issues a Mezzanine Loan Note and a Mezzanine Loan Noteholder subscribes for such Mezzanine Loan Note, the Mezzanine Loan Note Issuer shall make an amount equivalent to the subscription price paid by the Mezzanine Issuer available to the Borrower by way of an advance of a Structural Intra-Group Loan.
- (b) Each Structural Intra-Group Loan shall accrue interest and fees at a rate or in an amount (as applicable) at least equal to the same rate or amount (as applicable) payable by the Mezzanine Loan Note Issuer to the Finance Parties under the relevant Mezzanine Loan Note.
- (c) Except as permitted under paragraph (e) below, no Obligor shall:
  - (i) repay or prepay any principal amount (or deferred interest) outstanding under a Structural Intra-Group Loan;
  - (ii) pay any interest or any other amounts payable in connection with a Structural Intra-Group Loan; or
  - (iii) purchase, redeem, defease or discharge any amount outstanding in respect of a Structural Intra-Group Loan.
- (d) No Obligor shall amend or waive the terms of any agreement evidencing the terms of a Structural Intra-Group Loan unless:
  - (i) the amendment or waiver is of a minor and administrative nature and is not prejudicial to the Mezzanine Loan Noteholders; or
  - (ii) the prior consent of the Issuer is obtained.
- (e) Paragraph (c) above does not apply to a payment, repayment, purchase, redemption defeasance or discharge which is a Permitted Payment as described in paragraph (c) of the definition of Permitted Payment or is otherwise permitted under the Intercreditor Agreement.

## ***PROPERTY UNDERTAKINGS***

### ***Title***

Each Obligor must exercise its rights and comply in all material respects with any covenant, title conditions, stipulation or obligation (restrictive or otherwise) at any time affecting its Properties.

No Obligor may agree to any amendment, supplement, waiver, surrender or release of any covenant, stipulation, title condition or obligation (restrictive or otherwise) at any time affecting its Properties.

Each Obligor must promptly take all such steps as may be necessary or desirable to enable the Security created by the Obligor Security Documents to be registered, where appropriate, at the applicable Land Registry (or, in the case of Scottish Property, the Land Register of Scotland) and/or companies register or, in the case of Northern Irish Property, the Land Registry of Northern Ireland or the Registry of Deeds of Northern Ireland.

### ***Lease Documents***

No Obligor shall enter into any Lease Document unless the relevant Lease Document shall be on commercial arm's length terms and in accordance with Good Industry Practice.

No Obligor shall:

- (a) agree to any supplement, extension, amendment or waiver in respect of any Lease Document;
- (b) grant or agree to grant any new contractual licence or new right to occupy any part of its Property after the date of the Issuer/Borrower Loan Agreement;
- (c) consent to any assignment, sublease or assignation of any tenant's interest under any Lease Document (save where under the Landlord and Tenant (Covenants) Act 1995 or, in the case of a Northern Irish Property, under article 26 of the Business Tenancies (Northern Ireland) Order 1996);
- (d) grant any licence or right to use or occupy all or part of its Properties;
- (e) agree to any change of use under or (except where required to do so under the terms of the relevant Lease Document) rent review in respect of any Lease Document;
- (f) serve any notice on any former tenant under any Lease Document (or on any guarantor of that former tenant) which would entitle it to a new lease or tenancy;
- (g) waive, release, irritate, forfeit or exercise any right of re-entry or vary any obligation under, or the terms of, or exercise any option or power to break, determine or extend, any Lease Document; and
- (h) accept or permit the surrender or renunciation of all or any part of any Direct Occupational Lease,

unless any such action shall be undertaken on commercial arm's length terms and in accordance with Good Industry Practice.



Each Obligor shall:

- (i) exercise its rights and comply with its obligations under each Lease Document in accordance with Good Industry Practice;
- (ii) duly and diligently implement any provision of any Occupational Lease for the review of the rents thereby reserved;
- (iii) procure that any Lease Proceeds are paid into the relevant Deposit Account (see the section entitled "*Deposit Accounts*" for details as to how these funds will be applied); and
- (iv) in respect of Rental Income:
  - (A) diligently, promptly and efficiently collect it or procure it be collected;
  - (B) not release, exchange, compound, set-off or grant time or indulgence in respect of it;
  - (C) not exchange, set-off, compound, factor, discount, sell or otherwise deal with or dispose of it;
  - (D) serve, duly and promptly, all notices of review of rent under the Occupational Leases; and
  - (E) (in relation to a Property located in England & Wales and if required by the Issuer following notification from an Obligor and insofar as the Landlord and Tenant (Covenants) Act 1995 applies) serve, duly and promptly, and at all appropriate times a notice on any former tenant under any Occupational Lease or Student Lease under section 17(2) of the Landlord and Tenant (Covenants) Act 1995 or on any guarantor of any such former tenant under section 17(3) of that Act and, for the avoidance of doubt, the Landlord and Tenant (Covenants) Act 1995 does not apply to any Northern Irish Property.

Each Obligor must supply to the Issuer and the Obligor Security Trustee a copy of each Lease Document, a copy of each amendment, supplement or extension to a Lease Document and a copy of each document recording any rent review in respect of a Lease Document promptly upon entering into the same, save with respect to Direct Occupational Leases (the standard form of which will be supplied to the Issuer and the Obligor Security Trustee on a regular basis as it is amended).

The Obligors must use their reasonable endeavours to find tenants for any vacant lettable space in the Properties with a view to granting a Lease Document with respect to that space.

No Obligor may grant or agree to grant any Lease Document (other than a Lease Document in respect of a Scottish Property or a Northern Irish Property) without including in the alienation covenant a provision for the proposed assignor on any assignment to guarantee the obligations of the proposed assignee until that assignee is released as tenant under the terms of the Landlord and Tenant (Covenants) Act 1995.

No Obligor may grant or agree to grant any Lease Document in respect of a Northern Irish Property without including in the alienation covenant a provision that on any assignment if reasonably so required by the landlord the proposed assignee must procure a suitable guarantor to guarantee the obligations of the proposed assignee.

### ***Management Company Leases***

No Obligor may agree to any amendment or variation, or any release, waiver, surrender or renunciation, or exercise any break clause, in relation to any Management Company Lease.

At least 20 Business Days prior to the expiry of a Management Company Lease, the relevant Management Company (as tenant) and the relevant Propco (as landlord) must enter into a new Management Company Lease in respect of the relevant Property. Such new Management Company Lease must be on substantially the same terms as the Management Company Lease of the relevant Property in existence on the Closing Date except as to:

- (a) the commencement date (which must be on the next day after the expiry of the Management Company Lease); and
- (b) the expiry date,

so that all times there is a Management Company Lease in force in respect of each Property.

### ***Headleases***

- (a) Each Obligor must:
  - (i) exercise its rights and comply with its obligations under each Headlease;
  - (ii) use its reasonable endeavours to ensure that each landlord complies with its obligations under each Headlease; and
  - (iii) if so required by the Obligor Security Trustee, apply for relief against forfeiture of any Headlease (other than in respect of a Scottish Property),

in a proper and timely manner.

- (b) No Obligor may without the consent of the Issuer:
  - (i) agree to any amendment, supplement, waiver, surrender or release of any Headlease;
  - (ii) exercise any right to break, determine or extend any Headlease;
  - (iii) agree to any rent review in respect of any Headlease;
  - (iv) surrender any Headlease;
  - (v) agree any change adverse to the Finance Parties in the ground rent payable under any Headlease; or
  - (vi) do or allow to be done any act as a result of which any Headlease may become liable to forfeiture or irritancy or otherwise be terminated,

if such action would be, or would reasonably be expected to be, materially disadvantageous to the interests of the Finance Parties.

- (c) Each Obligor will promptly notify the Issuer and the Obligor Security Trustee of any matter or event under or by reason of which any such Headlease has or may become subject to determination or to the exercise of any right of re-entry or forfeiture and, if so requested by

the Issuer or the Obligor Security Trustee, to apply for relief against forfeiture (save in respect of any Scottish Property).

- (d) Each Obligor will ensure that any Property in respect of which an Obligor derives its estate or interest in under a Headlease, which is illegible, benefits from a title insurance policy which protects an Obligor in the event that such Headlease is forfeited or irritated due to an Insolvency Event of an Obligor.

### ***Maintenance***

Each Obligor must ensure that all buildings, plant, machinery, fixtures and fittings on its Properties are in, and maintained in:

- (a) good and substantial repair and condition and, as appropriate, in good working order (including necessary energy efficiency improvements) and when necessary or desirable rebuild, renew and replace the same by items of similar quality and value, in each case in accordance with Good Industry Practice; and
- (b) such repair, condition and good working order as to enable them to be let in accordance with all applicable laws and regulations; for this purpose, a law or regulation will be regarded as applicable if it is either:
  - (i) in force; or
  - (ii) known over the next 12 months to be coming into force and a prudent property owner in the same business as the Borrower would ensure that its buildings, plant, machinery, fixtures and fittings were in such condition, repair and order in anticipation of that law or regulation coming into force.

As soon as practicable after being required to do so by the Obligor Security Trustee, each Obligor shall make good (or procure the same be made good) any want of repair in its Properties and any buildings, structures, fixtures, fittings, plant, machinery and equipment forming part of its Properties.

### ***Development, alterations and Enhancement Capex***

Subject to the paragraph below, no Obligor is permitted, at any time, other than where required by law or any superior landlord, to:

- (a) make or allow to be made any application for planning permission in respect of any part of its Property; or
- (b) effect, carry out, permit or allow to be carried out any demolition, construction, reconstruction, rebuilding, structural alterations or additions, development or material change in the use of, or other similar operations in respect of, any part of its Property or Properties; or
- (c) sever, unfix or remove any of the material fixtures to any Property or Properties (except for the purpose and in the course of effecting necessary repairs thereto or of replacing the same with new or improved models or substitutes) thereon belonging to or in use by any of the Obligors concerned.

The Obligors will be entitled to undertake Enhancement Capex in connection with the Properties only if the relevant Obligor has provided a director's certificate to the Issuer that the following

conditions are satisfied prior to it undertaking such Enhancement Capex or it has otherwise obtained the prior written consent of the Issuer prior to it undertaking such Enhancement Capex:

- (i) the relevant Enhancement Capex will not when aggregated with all of the other Enhancement Capex then ongoing, have a negative impact on Rental Income greater than 5 per cent. in respect of the aggregate Rental Income of all of the Properties;
- (ii) the works relating to the Enhancement Capex shall take less than six months to complete, provided that, in the case of the addition of approximately 30 new rooms to the Newarke Street Property which are in contemplation as at the Closing Date, such Enhancement Capex works shall not take more than 24 months to complete from the Closing Date;
- (iii) the Enhancement Capex will be funded from amounts standing to the credit of the General Accounts or the Disposal Accounts (see the section entitled "*Disposal Account*" for additional conditions to be met for such funds to be used for Enhancement Capex and paragraph (v) below) or there is evidence of sufficient committed finance in place to cover the costs of the Enhancement Capex;
- (iv) the Enhancement Capex is consistent with the business purpose of the Obligor Group;
- (v) if the Enhancement Capex is being wholly or partly funded from sums standing to the credit of a Disposal Account, that, as at the completion of the Enhancement Capex, the Loan to Value Ratio will not increase as compared to the Loan to Value Ratio at the time prior to the withdrawal from the relevant Disposal Account(s) of the relevant funds used to wholly or partly fund such Enhancement Capex (such certification to be supported by a certification from a Valuer);
- (vi) no Obligor Event of Default has occurred which is continuing; and
- (vii) it will procure satisfactory completion guarantees and collateral warranties for all development works to the extent it would be in accordance with Good Industry Practice to do so.

Each Obligor must comply in all respects with all planning laws, regulations, permissions, agreements and conditions to which its Property may be subject.

### ***Operating or capital expenditure***

No Obligor shall incur any operating or capital expenditure in respect of the Properties unless:

- (a) it is in accordance with amounts of Adjusted Approved Operating Costs set out in the Management Report;
- (b) it is in accordance with the amounts of Adjusted Approved Capital Expenditure Amount set out in the Management Report;
- (c) it is Enhancement Capex in accordance with the section entitled "*Development, alterations and Enhancement Capex*" above; or
- (d) two directors of the Obligor certify to the Issuer that such operating or capital expenditure was reasonably incurred by the relevant Obligor in respect of the Properties (and the Issuer provides its written consent to the same).

## ***Notices***

Each Obligor must, within 14 days after the receipt by the Obligor of any material application, requirement, order or notice served or given by any planning authority, public or local or any other authority or any landlord with respect to its Property (or any part of it):

- (a) deliver a copy to the Obligor Security Trustee; and
- (b) inform the Obligor Security Trustee of the steps proposed or required or necessary to be taken to comply with the relevant requirement, order or notice.

The Obligor Security Trustee may at the cost of the relevant Obligor take all reasonable or expedient steps (in the name of such Obligor or otherwise) to ensure compliance with any such notice or order and may at the cost of the relevant Obligor make such objection or objections or representations against or in respect of any proposal for such a notice or order as the Obligor Security Trustee considers expedient.

## ***Investigation of title***

Each Obligor must grant the Obligor Security Trustee or its lawyers on request all facilities within the power of the Obligors to enable the Obligor Security Trustee or its lawyers to:

- (a) carry out investigations of title to each Property; and
- (b) make such enquiries in relation to any part of any Property as a prudent mortgagee might carry out,

provided that reasonable notice is provided to an Obligor prior to any such investigations or enquiries.

## ***Power to remedy***

If an Obligor fails to perform any obligations under the Finance Documents affecting its Property, it will be lawful for the Obligor Security Trustee (but without any obligation to do so) or its agents and contractors to, upon reasonable notice (unless an emergency when no such notice will be required):

- (a) enter any part of its Property;
- (b) comply with or object to any notice served on an Obligor in respect of its Property; and
- (c) take any action that the Obligor Security Trustee may reasonably consider necessary or desirable to rectify or remedy such breach.

An Obligor must promptly on request by the Obligor Security Trustee pay the costs and expenses of the Obligor Security Trustee or its agents and contractors incurred in connection with any action taken by it regarding the above.

No Finance Party shall be obliged to account as mortgagee or heritable creditor in possession as a result of any action taken regarding the above.

## ***Facility Managers***

The Obligors shall retain (i) Derwent as a Facility Manager in respect of the Properties (other than the Leicester Properties); and (ii) both Derwent and Sulets as Facility Managers in respect of the Leicester Properties.

No Obligor may:

- (a) appoint or replace any Facility Manager;
- (b) amend, supplement, extend or waive the terms of appointment of any Facility Manager under a Facility Management Agreement; or
- (c) terminate the appointment of any Facility Manager,

without the prior consent of, and on terms approved by, the Issuer.

If a Facility Manager resigns, its appointment as Facility Manager is otherwise terminated for any reason, or an Insolvency Event occurs in respect of a Facility Manager, the Obligors must appoint a replacement Facility Manager (on terms approved by the Issuer) within 30 days of the Facility Manager resigning, its appointment being terminated or the occurrence of an Insolvency Event, and in any event, prior to such resignation or termination taking effect.

In relation to the two preceding paragraphs:

- (i) the Issuer's consent will not be required if the appointment of Derwent is partially or fully terminated and the replacement Facility Manager is the Initial Asset Manager, appointed on terms substantially similar to those that Derwent was appointed on, and whose fees are not greater than those of Derwent; or
- (ii) the consent of the Issuer will not be required in respect of any extension or renewal of the appointment of any Facility Manager, provided such extension or renewal is on substantially the same terms (and in any event, no more onerous terms) as were in place prior to such extension or renewal; or
- (iii) the Issuer cannot unreasonably withhold its consent if the appointment of a Facility Manager is terminated and the replacement Facility Manager:
  - (A) is a suitably qualified third party (not part of the Brookfield Group), experienced in managing assets of the same nature as the Properties;
  - (B) has a trading history of more than 24 months; and
  - (C) is appointed on terms substantially similar to those of the outgoing Facility Manager (including as to fees, such fees not being greater than those of the outgoing Facility Manager),

and in each case, the paragraph below is complied with at the time of such appointment.

Each Obligor must ensure that each Facility Manager of any Property:

- (A) enters into a duty of care agreement with the Obligor Security Trustee in form and substance satisfactory to the Issuer and the Obligor Security Trustee;
- (B) acknowledges to the Obligor Security Trustee that it has notice of the Security Interests created by the Finance Documents; and
- (C) agrees to pay all amounts received by it in relation to the Properties into the relevant Management Company General Account and to deal with such funds in accordance with the section entitled "*Facility Manager Client Account*" above, without any withholding, set-off or counterclaim and prior to such transfer such moneys are held on trust by the relevant Facility

Manager in favour of the relevant Management Company or Management Companies and it enters into a Facility Manager Client Account Declaration of Trust.

If a Facility Manager is in default of its obligations under its facility management agreement and, as a result, an Obligor is entitled to terminate that facility management agreement, then, if the Issuer so requires, that Obligor must promptly use all reasonable endeavours to:

- (i) terminate the relevant Facility Management Agreement; and
- (ii) appoint a new Facility Manager in accordance with the terms of the Issuer/Borrower Loan Agreement.

### ***Asset Managers***

The Obligors may not:

- (a) appoint any Asset Manager;
- (b) amend, supplement, extend or waive the terms of appointment of any Asset Manager; or
- (c) terminate the appointment of any Asset Manager,

without the prior consent of, and on terms approved by, the Issuer.

If an Asset Manager resigns or its appointment as an Asset Manager is otherwise terminated for any reason, or an Insolvency Event occurs in relation to the Asset Manager, the Obligors must appoint a replacement Asset Manager (on terms approved by the Issuer) within 30 days of the Asset Manager resigning, its appointment being terminated or the occurrence of an Insolvency Event, as applicable, and, in any event, prior to such resignation or termination taking effect.

In relation to the two preceding paragraphs, no such consent will be required if the Obligors appoint PBSA Portfolio Advisor Limited as Asset Manager within three months of the Closing Date, in replacement of GL Europe Portfolio Advisor Limited, subject to PBSA Portfolio Advisor Limited becoming Asset Manager on the same terms as GL Europe Portfolio Advisor Limited is the Asset Manager as at the Closing Date, provided that the paragraph below is complied with at the time PBSA Portfolio Advisor Limited becomes the Asset Manager.

The Obligors must ensure that any Asset Manager:

- (a) enters into a Duty of Care Agreement with the Obligor Security Trustee in form and substance satisfactory to the Issuer and the Obligor Security Trustee; and
- (b) acknowledges to the Obligor Security Trustee that it has notice of the Security Interests created by the Finance Documents.

If an Asset Manager is in default of its obligations under its asset management agreement and, as a result, the Obligors are entitled to terminate that asset management agreement, then, if the Issuer so requires, the Obligors must promptly use all reasonable endeavours to:

- (a) terminate the asset management agreement; and
- (b) appoint a new Asset Manager in accordance with these provisions.

The Borrower shall ensure that the terms of the Duty of Care Agreement entered into by an Asset Manager will provide that, if an Obligor Event of Default has occurred and is continuing, the Obligor Security Trustee may terminate the Asset Management Agreement.

### ***Insurances***

The Borrower must ensure that, at all times, Insurances are maintained in full force and effect with a reputable insurance office or underwriters, which:

- (a) insure each Obligor in respect of its interests in each Property and the plant and machinery on each Property (including fixtures and improvements) for their full replacement value (being the total cost of entirely rebuilding, reinstating or replacing the relevant asset if it is completely destroyed, together with all related fees and demolition costs) and to:
  - (i) provide cover against loss or damage by fire, storm, tempest, flood, earthquake, lightning, explosion, impact, aircraft and other aerial devices and articles dropped from them, riot, civil commotion and malicious damage, bursting or overflowing of water tanks, apparatus or pipes and all other normally insurable risks of loss or damage for a property of the type of the Properties;
  - (ii) provide cover for site clearance, shoring or propping up, professional fees and value added tax together with adequate allowance for inflation;
  - (iii) provide cover against acts of terrorism, including any third party liability arising from such acts provided that, in respect of any Northern Irish Property, such cover shall only be required where available on commercially reasonable terms; and
  - (iv) provide cover for loss of rent (in respect of a period of not less than three years or, if longer, the minimum period required under the Lease Documents (whichever is longer)) including provision for any increases in rent during the period of insurance;
- (b) include property owners' public liability and third party liability insurance;
- (c) insure such other risks as a prudent company or other person in the same business as the Obligors would insure;
- (d) cover the risks insured under the W&I Insurances and the Title Insurances; and
- (e) in each case are in an amount, and in a form, and with an insurance company or underwriters, acceptable at all times to the Issuer, and with a rating at all times no lower than (i) A- from S&P or Fitch, (ii) A- VIII from AM Best, or (iii) A3 from Moody's.

The Borrower must procure that the Obligor Security Trustee (as security trustee for the Obligor Secured Creditors) is named as composite insured in respect of its own separate insurable interest under each of the Insurances (other than public liability and third party liability insurances) (except that this does not apply in the case of insurance put in place by the superior landlord only in respect of the Trinity Square Property, where such interest for the Obligor Security Trustee will not be noted) but without:

- (a) any liability on the part of the Obligor Security Trustee or any other Finance Party for any premium in relation to those Insurances (unless the Obligor Security Trustee has expressly and specifically requested to be made liable in respect of any increase in premium or unpaid premium in respect of any of those Insurances); or



- (b) any obligation on the part of the Obligor Security Trustee or any other Finance Party to make any disclosure to any insurer or any insurance broker in relation to those Insurances unless and until the Obligor Security Trustee or any other Finance Party becomes a mortgagee in possession of any Property, in which circumstance an obligation shall apply on the part of the Obligor Security Trustee or any other Finance Party to make disclosure to any insurer or any insurance broker in relation to the Insurance or Insurances in respect of that Property pursuant to the terms of that Insurance or those Insurances.

The Borrower must procure that the Insurances comply with the following requirements:

- (a) each of the insurances must contain:
  - (i) a non-invalidating and non-vitiating clause under which the insurances will not be avoided or vitiated as against any insured party as a result of any circumstances beyond the control of that insured party or any misrepresentation, non-disclosure or breach of any policy term or condition on the part of any other insured party or any agent of any other insured party;
  - (ii) a waiver of the rights of subrogation of the insurer as against each Obligor, each Finance Party and the tenants of each Property other than any such rights arising in connection with any fraud or criminal offence committed by any of those persons in respect of any Property or any Insurance; and
  - (iii) a loss payee clause in such terms as the Issuer may reasonably require in respect of insurance claim payments, under which the Obligor Security Trustee is named as first loss payee in respect of any claim in excess of £100,000 (other than in respect of any claim under any public liability and third party liability insurances) (except that this does not apply to the Trinity Square Property (in respect of insurance put in place by the superior landlord only) where the superior landlord of the relevant Propco's title to the Property is under an obligation to apply all insurance moneys to making good the damage for which the money has been received and in the event of any shortfall in the insurance proceeds to make up any deficiency out of its own moneys unless the payment is refused by reason that it is the relevant Obligor's responsibility);
- (b) each insurer must give at least 30 days' notice to the Obligor Security Trustee (and the Obligor Security Trustee will promptly pass such notice on to the Issuer) if it proposes to repudiate, rescind or cancel any Insurance, treat any Insurance as avoided in whole or in part or to treat any Insurance as expired due to non-payment of premium and must in the notice give the Issuer and/or the Obligor Security Trustee the opportunity to rectify any such non-payment of premium within the notice period; and
- (c) each Obligor must immediately upon receiving any notification from an insurer that such insurer proposes to:
  - (i) repudiate, rescind or cancel any Insurance;
  - (ii) treat any Insurance as avoided in whole or in part;
  - (iii) treat any Insurance as expired due to non-payment of premium; or
  - (iv) otherwise decline any claim under any Insurance by or on behalf of any insured party,notify the Issuer and the Obligor Security Trustee of the same; and

- (d) the relevant Obligor must be free to assign or otherwise grant Security Interests over all amounts payable to it under each of its Insurances and all its rights in connection with those amounts in favour of the Obligor Security Trustee.

The Borrower must use all reasonable endeavours to ensure that the Issuer and the Obligor Security Trustee each receive copies of the Insurances, receipts for the payment of premiums for insurance and any information in connection with the Insurances and claims under them which the Issuer and the Obligor Security Trustee may reasonably require.

The Borrower must promptly notify the Issuer and the Obligor Security Trustee of:

- (A) the proposed terms of any future renewal of any of the Insurances;
- (B) any amendment, supplement, extension, termination, avoidance or cancellation of any of the Insurances made or, to its knowledge, threatened or pending;
- (C) any claim, and any actual or threatened refusal of any claim, under any of the Insurances; and
- (D) any event or circumstance which has led or may lead to a breach by any Obligor of its obligation in connection with Insurances.

Each Obligor must:

- (I) comply with the terms of the Insurances;
- (II) not do or permit anything to be done which may make void or voidable any of the Insurances; and
- (III) comply with all reasonable risk improvement requirements of its insurers. The Borrower must ensure that:
  - (1) each premium for the Insurances is paid within the period permitted for payment of that premium; and
  - (2) all other things necessary are done so as to keep each of the Insurances in force.

If an Obligor fails to comply with its insurance obligations, the Obligor Security Trustee may, at the expense of the Obligors, effect any insurance and generally do such things and take such other action as the Obligor Security Trustee may reasonably consider necessary or desirable to prevent or remedy any breach of this obligation.

- (1) All Insurance Deposit Proceeds must be paid into the relevant Deposit Account for application in accordance with the section entitled "*Deposit Accounts*".
- (2) To the extent required by the basis of settlement under any Insurances or under any Lease Document, each Obligor must apply moneys received under any Insurances in respect of a Property towards replacing, restoring or reinstating that Property.
- (3) The proceeds of any loss of rent insurance will be treated as Rental Income and applied in such manner as the Obligor Security Trustee requires to have effect as if it were Rental Income received over the period of the loss of rent.

- (4) Monies received under liability policies held by an Obligor which are required by that Obligor to satisfy established liabilities of the Obligor to third parties must be used to satisfy these liabilities.

### ***Environmental matters***

Each Obligor must:

- (a) comply and ensure that any relevant third party complies with all Environmental Law;
- (b) obtain, maintain and ensure compliance with all requisite Environmental Permits applicable to it or to a Property and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same; and
- (c) implement procedures to monitor compliance with and to prevent liability under any Environmental Law applicable to it or a Property,

where failure to do so has or is reasonably likely to have a Material Adverse Effect, result in any liability for a Finance Party, or materially adversely affect the value of a Property and/or Rental Income.

Each Obligor must, promptly upon becoming aware, notify the Issuer and the Obligor Security Trustee of:

- (i) any Environmental Claim started or, to its knowledge, threatened;
- (ii) any circumstances reasonably likely to result in an Environmental Claim being started or threatened; or
- (iii) any suspension, revocation or notification of any Environmental Permit.

Each Obligor must indemnify each Finance Party against any loss or liability which:

- (A) that Finance Party incurs as a result of any actual or alleged breach of any Environmental Law by any person; and
- (B) would not have arisen if a Finance Document had not been entered into,

unless it is caused by that Finance Party's gross negligence or wilful misconduct.

### ***Inspection***

Each Obligor must procure that the Issuer and the Obligor Security Trustee shall have the right to inspect the Properties at any time subject to prior consultation with the Borrower.

### ***Use***

Each Property shall only be used for student accommodation, vacation, lettings residential (on assured shorthold tenancies) and retail, leisure, office and ancillary matters (including serviced apartments, events, conferences and educational training or similar purposes) permitted by any planning permission.

Without the prior written consent of the Issuer, there shall be no application for any material change of use of the Properties.

### ***Break clauses***

None of the Obligors shall exercise any break clause under a Lease Document so long as any amount remains outstanding under any of the Issuer/Borrower Loans.

### ***Duty of Care Agreement***

Each Obligor shall enforce its rights and comply with its obligations under each Duty of Care Agreement.

### ***Compulsory purchase***

Each Obligor shall notify the Issuer and the Obligor Security Trustee immediately if any part of a Property is compulsorily purchased or the applicable government agency or authority makes an order for the compulsory purchase of the same.

If any part of a Property is compulsorily purchased or the applicable governmental agency or authority makes an order for the compulsory purchase of the same, the Issuer or the Obligor Security Trustee shall be entitled to request a Desktop Valuation or a Full Valuation (at the cost of the Obligors) of that part of that Property being compulsorily purchased or of the Property but ignoring that part being compulsorily purchased (as is deemed appropriate by the Obligor Security Trustee, acting reasonably). Such Valuation will be used to calculate the Allocated Debt Percentage of the part of the Property subject to the compulsory purchase for the purposes of calculating the Allocated Debt Amount for that part of the Property.

The Obligors must ensure that all Compensation Prepayment Proceeds are immediately applied either:

- (a) in accordance with the section entitled "*Mandatory prepayments*"; or
- (b) paid into the relevant Deposit Account for application in accordance with the provisions in the section entitled "*Deposit Accounts*".

### ***EVENTS OF DEFAULT***

Each of the events or circumstances set out below is an event of default under the Issuer/Borrower Loan (an **Obligor Event of Default**).

#### **1. Non-payment**

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by:
  - (i) administrative or technical error; or
  - (ii) a Disruption Event; and
- (b) payment is made within three Business Days of its due date.

## **2. Financial covenants**

An Obligor Event of Default occurs where any of the Financial Covenant Ratios are not satisfied and are not cured in accordance with the cure rights (as described in the section entitled "*Cure rights*" above).

## **3. Misrepresentation**

Any representation, warranty or statement made or deemed to be made or repeated by an Obligor in the Obligor Transaction Documents or in any notice or other document, certificate or statement delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made or repeated and, if any such misrepresentation is capable of remedy, it is not remedied within 20 Business Days after the earlier of the Obligor Security Trustee or the Issuer giving notice to the relevant Obligor of such misrepresentation and the relevant Obligor becoming aware of such misrepresentation.

## **4. Other obligations**

Any of the Obligors does not comply with any provision of or covenant, undertaking, representation or obligation under the Obligor Transaction Documents (other than those referred to in paragraphs "*Non-payment*", "*Financial covenants*" and "*Misrepresentation*") and, if any such non-performance or non-compliance is capable of remedy, it is not remedied within 20 Business Days or (in the case of the covenants contained in the sections entitled "*Negative pledge*", "*Disposals*", "*Financial Indebtedness*", "*Acquisitions*", "*Ownership*", "*Title*" and "*Insurances*" above) ten Business Days or (in the case of the covenant in relation to "*Shares, dividends, share redemption and Subordinated Debt*" above) three Business Days after the earlier of the Obligor Security Trustee or the Issuer giving notice to the relevant Obligor of such non-performance or non-compliance and the relevant Obligor becoming aware of such non-performance or non-compliance.

## **5. Cross default**

Any Financial Indebtedness in an amount exceeding £200,000 (in aggregate for all Obligors) of one or more Obligors is not paid when due nor within any originally applicable grace period.

Any Financial Indebtedness in an amount exceeding £200,000 (in aggregate for all Obligors) of one or more Obligors is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described) or is made payable on demand.

Any commitment for any Financial Indebtedness in an amount exceeding £200,000 (in aggregate for all Obligors), of one or more Obligors is cancelled or suspended by a creditor of any Obligor as a result of an event of default (however described).

Any creditor of any Obligor becomes entitled to declare any Financial Indebtedness in an amount exceeding £200,000 (in aggregate for all Obligors) of one or more Obligors due and payable prior to its specified maturity as a result of an event of default (however described).

This Obligor Event of Default will not occur if it would otherwise occur (but for this carve-out) solely due to the occurrence of a Mezzanine Event of Default.

## **6. Insolvency**

An Obligor:

- (a) is unable or admits inability to pay its debts as they fall due;
- (b) is deemed to, or is declared to, be unable to pay its debts under applicable law;
- (c) suspends or threatens to suspend making payments on any of its debts; or
- (d) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding any Finance Party in its capacity as such) with a view to rescheduling any of its indebtedness.

The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).

A moratorium is declared in respect of any indebtedness of any Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Obligor Event of Default caused by that moratorium.

## **7. Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, arrangement, adjustment, protection or relief of debtors or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor;
- (b) a composition, compromise, assignment or arrangement with any creditor of any Obligor;
- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Obligor or any of its assets; or
- (d) enforcement of any Security Interests over any assets of any Obligor,

or any equivalent or analogous procedure or step is taken in any jurisdiction.

This shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 21 days of commencement.

## **8. Appointment of receivers or managers**

A receiver, manager, liquidator, administrative receiver or like person is appointed in respect of any Obligor or in respect of any Obligor's assets (other than with the consent of the Issuer).

Any Obligor (or its directors) requests the appointment of a receiver, manager, administrative receiver or like person without the prior written consent of the Issuer.

**9. Creditors' process**

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of an Obligor and is not discharged within 21 days.

**10. Analogous proceedings**

There occurs, in relation to any Obligor, any event in any relevant country or territory which corresponds with any of those mentioned in paragraph 6 to 9 (inclusive) above.

**11. Cessation of business**

An Obligor suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business except as a result of any disposal allowed under the Issuer/Borrower Loan Agreement.

**12. Headlease**

Forfeiture or irritancy proceedings with respect to a Headlease are commenced or a Headlease is forfeited or irritated (subject to expiry of any relief period).

**13. Unlawfulness and invalidity**

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents or any Obligor Security created or expressed to be created or evidenced by the Obligor Security Documents is not or ceases to be effective or any subordination created under the Intercreditor Agreement is or becomes unlawful.

Any obligation or obligations of any Obligor under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Finance Parties under the Finance Documents.

Any Finance Document ceases to be in full force and effect or any Obligor Security or any subordination created under the Intercreditor Agreement ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

Any Security Interest created by an Obligor Security Document ceases to be in full force and effect or an Obligor Security Document does not create the Security Interest it intended or purported to create.

**14. Note Event of Default**

A Note Event of Default occurs and is continuing.

**15. Auditor restatement or qualification**

The auditors qualify or restate their report on any audited financial statements of an Obligor:

- (a) so that it is no longer a going concern; or
- (b) as a result of which a Financial Covenant Ratio Breach would have occurred if the Management Report which was used as the basis of calculation of the Projected NOI

ICR and the Historical NOI ICR was amended to take into account such qualified or restated report or financial statement on the immediately preceding Test Date (recalculated on the date of such qualification or restatement) and is not cured in accordance with the terms of the Issuer/Borrower Loan Agreement.

**16. Repudiation and rescission of agreements**

An Obligor (or any other relevant party, not being a Finance Party) rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or any of the Obligor Security or evidences an intention to rescind or repudiate a Finance Document or any Obligor Security.

**17. Major damage**

Any part of any Property is destroyed or damaged and, in the opinion of the Issuer, taking into account the amount and timing of receipt of the proceeds of insurance effected in accordance with the terms of the Issuer/Borrower Loan Agreement, the destruction or damage has or will have a Material Adverse Effect.

**18. Enforcement of Mezzanine Only Security**

Any Mezzanine Enforcement Action is taken pursuant to the Mezzanine Only Security and certain terms of the Intercreditor Agreement (relating to the enforcement of the Mezzanine Only Security) are not complied with.

**19. Breach of Tax Deed of Covenant**

There is a breach of the Tax Deed of Covenant by an Obligor which gives rise to a Material Adverse Effect.

**20. Material proceedings**

Any litigation, arbitration, administration, governmental, regulatory or other investigation, inquiry, proceeding or dispute which, in the reasonable opinion of the Issuer, is not frivolous or vexatious, is commenced or threatened against any Obligor or its material assets which, in each case, would be likely to be adversely determined to it and which, if so adversely determined, would reasonably be expected to have a Material Adverse Effect.

**21. Failure to comply with judgment**

An Obligor fails to comply with or pay any sum due from it under any final judgment or any order made or given by any court of competent jurisdiction in respect of sums in excess of £500,000.

**22. Intercreditor Agreement**

Any party to the Intercreditor Agreement (other than a Finance Party), does not comply with a provision of the Intercreditor Agreement, and such non-compliance can reasonably be expected or is reasonably expected to have a Material Adverse Effect.

***ACCELERATION***

On and at any time after the occurrence of an Obligor Event of Default which is continuing, the Obligor Security Trustee and/or the Issuer may (and the Obligor Security Trustee will, if so directed by the Issuer or the Issuer Security Trustee, subject to being indemnified and/or secured and/or



prefunded to its satisfaction), by notice to the Borrower (copied to the Rating Agencies) (an **Obligor Acceleration Notice**):

- (a) declare that all or part of the Issuer/Borrower Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents, be immediately due and payable, whereupon they shall become immediately due and payable;
- (b) declare that all or part of the Issuer/Borrower Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents, be payable on demand, whereupon they shall immediately become payable on demand by the Obligor Security Trustee on the instructions of the Issuer; and/or
- (c) exercise or direct the Obligor Security Trustee to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

The principal amount of the Issuer/Borrower Loans to be repaid following notice being given to the Borrower in accordance with the above paragraph will be equal to the principal amount outstanding of the Notes.

### **AMENDMENTS AND WAIVERS**

The Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group) have the right to consent to certain amendments, waivers and consents being provided with respect to the Finance Documents in certain circumstances. Please refer to the section entitled "*Intercreditor Agreement – Amendments and Waivers*".

## **B. MEZZANINE LOAN NOTE AGREEMENT**

The Mezzanine Loan Note Agreement is governed by English law. The principal terms (other than the identity of some of the obligors, facility amounts, interest rate, bank account structure, financial covenants and fees) of the Mezzanine Loan Note Agreement are similar to the principal terms of the Issuer/Borrower Loan Agreement. Certain principal terms of the Mezzanine Loan Note Agreement which differ from the principal terms of the Issuer/Borrower Loan Agreement are summarised below.

### **DEFINITIONS**

**Credit Agreement** means each of the Issuer/Borrower Loan Agreement and the Mezzanine Loan Note Agreement.

**Default** means a Mezzanine Event of Default or any Potential Mezzanine Event of Default.

**Definitive Mezzanine Notes** means those notes issued in definitive registered form in exchange for the Global Mezzanine Note.

**Final Mezzanine Facility Fee** means a final facility fee in the amount to be notified by the Mezzanine Issuer (or the Mezzanine Issuer Cash Manager on its behalf) to the Borrower (with a copy to the Mezzanine Agent) as being required by the Mezzanine Issuer in order to enable the Mezzanine Issuer to make payment or provision for all amounts required to be paid or provided for by the Mezzanine Issuer to fund the reasonable costs and expenses of its winding-up, no later than noon Business Days following such notice being received by the Borrower.

**Finance Party Accession Undertaking** means

- (a) an undertaking substantially in the form set out in the Intercreditor Agreement; or
- (b) a transfer certificate or an assignment agreement in respect of the relevant Credit Agreement (provided that it contains an accession to such Agreement which is substantially in the form set out in the Intercreditor Agreement).

**Further Mezzanine Closing Date** means each date upon which:

- (a) Further Mezzanine Notes, Replacement Mezzanine Notes or New Mezzanine Notes are issued in accordance with the conditions of the Initial Mezzanine Notes and, as the context so requires, the corresponding provision of any Further Mezzanine Notes, Replacement Mezzanine Notes or New Mezzanine Notes; and
- (b) Mezzanine Cure Loan Notes are issued in accordance with the terms of the Mezzanine Loan Note Agreement.

**Further Mezzanine Notes** means further notes carrying the same terms and conditions in all respects as, and so that the same shall be consolidated and form a single Class and rank *pari passu* with, any Class of the Mezzanine Notes.

**Global Mezzanine Notes** means each of the global notes in registered form without coupons or talons to be issued by the Mezzanine Issuer in respect of Mezzanine Notes.

**Historical Whole Loan Debt Yield**, on any Test Date during the twelve month period ending on that Test Date or, if less, the period from the Closing Date, to such Test Date is the ratio (expressed as a percentage) of Actual NOI to the aggregate of the Net Senior Debt and the Net Mezzanine Debt on

that Test Date, provided that, if one or more new Properties is acquired in connection with the incurrence of additional Permitted Financial Indebtedness in the 6 months prior to a Test Date, then any Actual NOI related to the new Property or Properties (as the case may be) will be disregarded for the purposes of determining the Historic Whole Loan Debt Yield on that Test Date only (but not, for the avoidance of doubt, on any subsequent Test Date), and provided further that, in respect of the first two Test Dates, Actual NOI during each Test Period ending on such Test Dates shall be annualised.

**Initial Mezzanine Facility Fee** means a facility fee equal to all the fees, costs and expenses incurred by the Mezzanine Issuer in connection with the issue of Mezzanine Loan Notes on the Closing Date, the issue of the Initial Mezzanine Notes and the negotiation, preparation and execution of each of the Mezzanine Issuer Transaction Documents (including any amounts in respect of VAT relating thereto that are payable by the original Mezzanine Issuer and an amount equal to any Tax liabilities of the Mezzanine Issuer incurred in connection with the issue of the Initial Notes) in respect of the period to and including the Closing Date.

**Initial Mezzanine Loan Note** means the Mezzanine Loan Note issued by the Mezzanine Loan Note Issuer and subscribed for by the Mezzanine Issuer on the Closing Date.

**Initial Mezzanine Notes** means £65,000,000 7.75 per cent. Mezzanine Notes due 2027 issued by the Mezzanine Issuer on the Closing Date.

**Mezzanine Acceleration Notice** means a notice given by the Mezzanine Agent to the Borrower pursuant to the terms of the Mezzanine Loan Note Agreement.

**Mezzanine Account** means the Mezzanine Finance Account, each Mezzanine General Account, the Mezzanine Prepayment Account or the Mezzanine Lock-Up Account.

**Mezzanine Account Bank** means Barclays Bank PLC.

**Mezzanine Agency Agreement** means the agency agreement dated on or about the Closing Date entered into by, among others, the Mezzanine Issuer, the Mezzanine Note Trustee, the Mezzanine Issuer Security Trustee, the Mezzanine Principal Paying Agent and the Mezzanine Registrar.

**Mezzanine Agent** means Situs Asset Management Limited.

**Mezzanine Allocated Debt Amount** means, in respect of a Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property), the amount determined by multiplying the Mezzanine Allocated Debt Percentage applicable to that Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property) by the aggregate outstanding amount of all Mezzanine Debt.

**Mezzanine Allocated Debt Percentage** means, in respect of a Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property), the open market value of that Property (or, in connection with calculating Compensation Prepayment Proceeds, part of a Property) expressed as a percentage of the aggregate open market values of all the Properties (in each case, based on the most recent Valuation).

**Mezzanine Corporate Services Agreement** means the corporate services agreement dated on or about the Closing Date between the Mezzanine Issuer and the Mezzanine Corporate Services Provider (as administrator and share owner), as amended from time to time.

**Mezzanine Corporate Services Provider** means Estera Trust (Cayman) Limited as administrator appointed pursuant to the Mezzanine Corporate Services Agreement.

**Mezzanine Cure Loan Note** means a note issued by or on behalf of the Mezzanine Loan Note Issuer and subscribed for by a Mezzanine Cure Loan Noteholder.

**Mezzanine Cure Loan Noteholder** means a Mezzanine Noteholder or an Affiliate of a Mezzanine Noteholder that accedes to the Mezzanine Loan Note Agreement and the Intercreditor Agreement as a Mezzanine Cure Loan Noteholder

**Mezzanine Debt** means any Financial Indebtedness of the Mezzanine Obligors owing to the Mezzanine Finance Parties under the Mezzanine Finance Documents.

**Mezzanine Deed of Charge** means a deed of charge dated on or about the Closing Date between the Mezzanine Loan Note Issuer, the Mezzanine Holdco and the Mezzanine Security Trustee.

**Mezzanine Default** means a Mezzanine Event of Default or any Potential Mezzanine Event of Default.

**Mezzanine Distribution Date** means the Business Day falling three Business Days prior to a Mezzanine Loan Note Interest Payment Date.

**Mezzanine Enforcement Notice** means a notice given by the Mezzanine Security Trustee to the Mezzanine Loan Note Issuer (copied to the Mezzanine Agent and the Rating Agencies) pursuant to the Mezzanine Deed of Charge declaring any Mezzanine Only Security to be enforceable.

**Mezzanine Facility** means the loan note facility made available under the Mezzanine Loan Note Agreement.

**Mezzanine Facility Fee** means the Initial Mezzanine Facility Fee, the Ongoing Mezzanine Facility Fee and/or the Final Mezzanine Facility Fee, as applicable.

**Mezzanine Finance Account** means each account designated as such under the Mezzanine Loan Note Agreement and includes any replacement of each such account.

**Mezzanine Finance Party** means the Mezzanine Issuer, the Mezzanine Agent, the Mezzanine Security Trustee, the Mezzanine Loan Note Registrar, a Mezzanine Cure Loan Noteholder or the Mezzanine Obligor Account Bank.

**Mezzanine Finance Document** means:

- (a) the Mezzanine Loan Note Agreement;
- (b) any Mezzanine Loan Note Tranche Supplement;
- (c) any Mezzanine Loan Note;
- (d) the Intercreditor Agreement;
- (e) a Mezzanine Cure Loan Noteholder Accession Agreement;
- (f) an Obligor Accession Deed;
- (g) a Finance Party Accession Undertaking;
- (h) each Mezzanine Only Security Document;
- (i) each Obligor Security Document;

- (j) an Obligor Fee Letter;
- (k) any Duty of Care Agreement;
- (l) any Accession Memorandum;
- (m) any Secession Memorandum;
- (n) any certificate substantially in the form set out in the Mezzanine Loan Note Agreement, with any amendments the Mezzanine Agent may approve or reasonably require, or any other form agreed between the Mezzanine Agent and the Mezzanine Loan Note Issuer;
- (o) any Assignment Agreement;
- (p) any Report Recoveries Side Letter;
- (q) any Mezzanine Cure Loan Noteholder Accession Agreement; or
- (r) any other document designated as such by the Mezzanine Agent and the Borrower.

**Mezzanine General Account** means a Mezzanine Loan Note Issuer General Account or a Mezzanine Holdco General Account.

**Mezzanine Holdco General Account** means each account designated as such in the Mezzanine Loan Note Agreement and includes any replacement of each such account.

**Mezzanine Issuer** means Student Mezzanine Finance.

**Mezzanine Issuer Account Bank** means, at the Closing Date, Elavon Financial Services DAC, UK Branch in its capacity as the Mezzanine Issuer Account Bank or such other bank with the Required Ratings appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Issuer Account Bank Agreement** means the issuer account bank agreement entered into on the Closing Date by the Mezzanine Issuer, the Mezzanine Issuer Cash Manager, the Mezzanine Issuer Account Bank and the Mezzanine Issuer Security Trustee.

**Mezzanine Issuer Cash Manager** means, as at the Closing Date, Elavon Financial Services DAC, UK Branch in its capacity as Mezzanine Issuer Cash Manager or such other cash manager appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Issuer Cash Management Agreement** means the issuer cash management agreement entered into on the Closing Date by the Mezzanine Issuer, the Mezzanine Issuer Cash Manager, the Mezzanine Issuer Account Bank and the Mezzanine Issuer Security Trustee.

**Mezzanine Issuer Deed of Charge** means the deed of charge dated on or about the Closing Date between the Mezzanine Issuer, the Mezzanine Note Trustee, the Mezzanine Issuer Security Trustee and certain of the other Mezzanine Issuer Secured Creditors (other than the Mezzanine Noteholders) and any deed or other document expressed to be supplemental thereto between, amongst others, the Mezzanine Issuer and the Mezzanine Issuer Security Trustee.

**Mezzanine Issuer Secured Creditors** means the Mezzanine Issuer Security Trustee on trust for itself, any appointee appointed by it (including any receiver appointed by it), the Mezzanine Noteholders, the Mezzanine Note Trustee (and any appointee appointed by it), the Mezzanine

Servicer, the Mezzanine Special Servicer, the Mezzanine Issuer Cash Manager, the Mezzanine Issuer Account Bank, the Mezzanine Paying Agents, the Mezzanine Corporate Services Provider, any other person acceding to the Mezzanine Issuer Deed of Charge and any other Mezzanine Issuer Security Document as beneficiary from time to time and any other person designated as such by the Mezzanine Issuer and the Mezzanine Issuer Security Trustee, each a **Mezzanine Issuer Secured Creditor**.

**Mezzanine Issuer Security Document** means the Mezzanine Issuer Deed of Charge and any deed or other document expressed to be supplemental thereto between, amongst others, the Mezzanine Issuer and the Mezzanine Issuer Security Trustee.

**Mezzanine Issuer Security Trustee** means, as at the Closing Date, U.S. Bank Trustees Limited, a private limited company incorporated under the laws of England in its capacity as security trustee pursuant to the Mezzanine Issuer Security Documents, or such other security trustee appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Issuer Transaction Documents** means any of the following documents and any amendments thereto from time to time:

- (a) the Mezzanine Note Trust Deed;
- (b) the Mezzanine Issuer Deed of Charge;
- (c) the Mezzanine Servicing Agreement;
- (d) the Mezzanine Issuer Cash Management Agreement;
- (e) the Mezzanine Issuer Account Bank Agreement;
- (f) the Mezzanine Corporate Services Agreement;
- (g) this Mezzanine Master Definitions Schedule;
- (h) the Mezzanine Agency Agreement;
- (i) each Mezzanine Finance Document to which the Mezzanine Issuer is a party; and
- (j) any other document designated as such by the Mezzanine Issuer and the Mezzanine Issuer Security Trustee.

**Mezzanine Loan Note Issuer/Mezzanine Holdco Accession Deed** means a deed substantially in the form set out in the Intercreditor Agreement.

**Mezzanine Loan Note** means:

- (a) an Initial Mezzanine Loan Note;
- (b) a mezzanine loan note (other than an Initial Mezzanine Loan Note and a Mezzanine Cure Loan Note) issued by the Mezzanine Loan Note Issuer under the Mezzanine Facility on a Further Mezzanine Closing Date; or
- (c) any Mezzanine Cure Loan Note.

**Mezzanine Loan Note Agreement** means the loan note agreement dated on or about the Closing Date between the Mezzanine Loan Note Issuer and the Mezzanine Issuer, among others, as amended from time to time.

**Mezzanine Loan Note Final Maturity Date** means:

- (a) for each Mezzanine Loan Note (other than a Mezzanine Cure Loan Note), the date specified in the Mezzanine Loan Note Tranche Supplement relating to that Mezzanine Loan Note; and
- (b) for each Mezzanine Cure Loan Note, the earliest Mezzanine Loan Note Final Maturity Date specified in a Mezzanine Loan Note Tranche Supplement relating to a Mezzanine Loan Note (other than a Mezzanine Cure Loan Note).

**Mezzanine Loan Note Issuer General Account** means each account designated as such in the Mezzanine Loan Note Agreement and includes any replacement of each such account.

**Mezzanine Loan Note Interest Payment Date** means 15 December and 15 June in each year.

**Mezzanine Loan Note Register** means Elavon Financial Services DAC.

**Mezzanine Loan Note Tranche Supplement** means a mezzanine loan note tranche supplement substantially in the form set out in the Mezzanine Loan Note Agreement.

**Mezzanine Lock-Up Account** means each account designated as such under the Mezzanine Loan Note Agreement and includes any replacement of each such account.

**Mezzanine Luxembourg Security Document** means:

- (a) the Luxembourg law share pledge agreement entered into by Mezzanine Holdco in respect of the shares held by it in the Mezzanine Loan Note Issuer and by the Mezzanine Loan Note Issuer in respect of the shares held by it in the Borrower Holdco in favour of the Mezzanine Security Trustee;
- (b) the Luxembourg law receivables pledge agreement in respect of the receivables owed by the Mezzanine Loan Note Issuer to Mezzanine Holdco and in respect of the receivables owed by the Borrower Holdco to the Mezzanine Loan Note Issuer in favour of the Mezzanine Security Trustee; or
- (c) the Luxembourg law bank account pledge agreement in respect of any bank accounts of the Mezzanine Loan Note Issuer and the Mezzanine Holdco in Luxembourg in favour of the Mezzanine Security Trustee.

**Mezzanine Master Definitions Schedule** means the master definitions schedule dated on or about the Closing Date and made between, among others, the parties to the Mezzanine Loan Note Agreement (as amended, restated, modified, novated, supplemented and/or replaced from time to time).

**Mezzanine Notes** means each note which is or is to be constituted under the Mezzanine Note Trust Deed, which note may be represented by a Global Mezzanine Note or Definitive Mezzanine Note and includes the Initial Mezzanine Notes and any Further Mezzanine Notes, New Mezzanine Notes or Replacement Mezzanine Notes and/or any Class thereof.

**Mezzanine Note Trust Deed** means the note trust deed dated on or about the Closing Date between the Mezzanine Issuer and the Mezzanine Note Trustee, among others, as amended from time to time.

**Mezzanine Note Trustee** means, as at the Closing Date, U.S. Bank Trustees Limited in its capacity as note trustee under the Mezzanine Note Trust Deed, or such other note trustee appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Obligor** means the Obligors, the Mezzanine Loan Note Issuer and the Mezzanine Holdco.

**Mezzanine Only Security** means the Security Interests created or evidenced or expressed to be created or evidenced under the Mezzanine Only Security Documents.

**Mezzanine Only Security Document** means:

- (a) the Mezzanine Deed of Charge;
- (b) a Mezzanine Luxembourg Security Document;
- (c) any other document evidencing or creating Security Interests over any asset to secure any obligation of any Obligor to a Mezzanine Secured Party under the Finance Documents; or
- (d) any other document designated as such by the Mezzanine Security Trustee and the Borrower.

**Mezzanine Paying Agents** means the Mezzanine Principal Paying Agent together with any other paying agent appointed pursuant to the Agency Agreement.

**Mezzanine Prepayment Account** means each account designated as such under the Mezzanine Loan Note Agreement and includes any replacement of each such account.

**Mezzanine Principal Paying Agent** means, as at the Closing Date, Elavon Financial Services DAC, UK Branch in its capacity as principal paying agent under the Agency Agreement, or such other principal paying agent bank appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Registrar** means, as at the Closing Date, Elavon Financial Services DAC in its capacity as registrar pursuant to the Mezzanine Agency Agreement, or such other registrar appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Relevant Multiple** means 110 per cent.

**Mezzanine Required Redemption Amount** means, in respect of each Property, the aggregate of (i) the Mezzanine Relevant Multiple of the Mezzanine Allocated Debt Amount for that Property; and (ii) Repayment Costs.

**Mezzanine Secured Obligations** means all the liabilities and all other present and future liabilities and obligations at any time due, owing or incurred by any Mezzanine Obligor or Obligor to any Mezzanine Secured Party under each Mezzanine Finance Document, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

**Mezzanine Servicer** means, as at the Closing Date, Situs Asset Management Limited in its capacity as servicer under the Mezzanine Servicing Agreement, or such other servicer appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.



**Mezzanine Servicing Agreement** means the servicing agreement dated on or about the Closing Date between the Mezzanine Issuer and the Mezzanine Servicer and Mezzanine Special Servicer, among others, as amended from time to time.

**Mezzanine Shareholder** means BSREP II PBSA Topco S.à r.l.

**Mezzanine Special Servicer** means, as at the Closing Date, Situs Asset Management Limited in its capacity as servicer under the Mezzanine Servicing Agreement, or such other servicer appointed from time to time to perform such role in accordance with the Mezzanine Issuer Transaction Documents.

**Mezzanine Transaction Document** means:

- (a) each Mezzanine Finance Document;
- (b) the Mezzanine Master Definitions Schedule;
- (c) each Obligor Transaction Document; and
- (d) any other document designated as such by the Mezzanine Agent and the Borrower.

**Net Mezzanine Debt** means, at any time, the aggregate principal amount outstanding of the Mezzanine Debt minus cash deposits held in the Mezzanine Lock-Up Account at that time.

**Net Senior Debt** means, at any time, the aggregate principal amount outstanding of the Senior Debt minus cash deposits held in the Defeasance Account, the Cure Account, all Disposal Accounts and the Lock-Up Account at that time.

**New Mezzanine Notes** means new notes ranking *pari passu* with the existing Mezzanine Notes and which may have terms and conditions which differ from the existing Mezzanine Notes and which do not form a single Class with the existing Mezzanine Notes provided that the conditions to the issue of Further Mezzanine Notes as set out in the Mezzanine Conditions are satisfied, mutatis mutandis, in respect of such issue.

**Obligor Accession Deed** means a deed substantially in the form set out in the Intercreditor Agreement.

**Ongoing Mezzanine Facility Fee** means a facility fee paid by the Mezzanine Loan Note Issuer to, or to the order of, the Mezzanine Agent during the period after the Closing Date and until all obligations of the Mezzanine Loan Note Issuer under the Mezzanine Loan Note Agreement have been discharged and paid in full, in consideration of the Mezzanine Issuer agreeing to purchase a Mezzanine Loan Note (other than a Mezzanine Cure Loan Note):

- (a) by noon on each Mezzanine Distribution Date (or, following the service of a Mezzanine Enforcement Notice, on each date on which payments are made pursuant to the Mezzanine Loan Note Issuer Post-Enforcement Pre-Acceleration Payment Priorities or the Mezzanine Loan Note Issuer Post-Enforcement Post-Acceleration Payment Priorities, as applicable);
- (b) on each Further Closing Date;
- (c) subject to paragraph (i) above, on any date of repayment or prepayment of all or part of any Mezzanine Loan Note (other than a Mezzanine Cure Loan Note); or
- (d) on any other date notified by the Mezzanine Issuer.

**Projected Whole Loan Debt Yield** means the ratio (expressed as a percentage) of Projected NOI to the aggregate of the Net Senior Debt and the Net Mezzanine Debt for each Projected Test Period.

**Potential Mezzanine Event of Default** means any event which (with the passage of time, the giving of notice, the expiry of a grace period, the making of any determination or any combination of any of the foregoing) could reasonably be expected to become a Mezzanine Event of Default.

**Replacement Mezzanine Note** means any replacement Global Mezzanine Note or replacement Definitive Mezzanine Note issued pursuant the Mezzanine Agency Agreement.

## ***PURPOSE AND APPLICATION***

The Mezzanine Loan Note Issuer may issue loan notes for which the Mezzanine Issuer shall subscribe. The Mezzanine Loan Note Issuer undertakes to apply all amounts received by it in respect of the issuance of Mezzanine Loan Notes (other than any Mezzanine Cure Loan Note) towards (i) in the case of the Initial Mezzanine Loan Note, repayment in full (also utilising the advance of the Initial Issuer/Borrower Loan) of the Bridge Facility Agreement (including, without limitation, accrued interest, break costs and associated costs); and (ii) on any Further Closing Date, financing or refinancing the cost of acquisition of any Property and any fees, costs and expenses, stamp registration and other taxes incurred in connection with the acquisition of such Property.

## ***MEZZANINE LOAN AMOUNT AND DRAWDOWN***

The amount of the proposed Mezzanine Loan Note (other than any Mezzanine Cure Loan Note) issuance under the Mezzanine Loan Note Agreement on any Closing Date must correspond to the amount of the corresponding Mezzanine Notes issued (and which is a minimum of £5,000,000). The Mezzanine Loan Note Agreement places an obligation on the Mezzanine Issuer to subscribe for any additional Mezzanine Loan Notes (other than Mezzanine Cure Loan Notes) issued by the Mezzanine Loan Note Issuer, subject to certain conditions.

## ***MEZZANINE CURE LOAN NOTES***

A Mezzanine Cure Loan Noteholder, being a Mezzanine Noteholder or an Affiliate of a Mezzanine Noteholder, may also subscribe for a Mezzanine Cure Loan Note, by notifying the Mezzanine Agent in writing that it wishes to subscribe for a Mezzanine Cure Loan Note (the proceeds of which are to be advanced directly to (i) in respect of a Mezzanine Cure Loan Noteholder Cure Deposit, the Cure Account (ii) in respect of a Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment, the Issuer to be applied in voluntary prepayment of the Issuer/Borrower Loans in accordance with the terms of the Issuer/Borrower Loan Agreement (iii) in respect of a Mezzanine Cure Loan Noteholder Payment Default Cure Payment, an account specified by the Issuer; and (iv) a Control Valuation Event Cure Payment, the Issuer to be applied in voluntary prepayment of the Issuer/Borrower Loans in accordance with the terms of the Issuer/Borrower Loan Agreement.

Each Mezzanine Cure Loan Note shall, unless otherwise specified in the Mezzanine Loan Note Agreement: (a) be treated as a Mezzanine Cure Loan Note issued by the Mezzanine Loan Note Issuer and subscribed for by the relevant Mezzanine Cure Loan Noteholders; (b) accrue interest at the applicable Interest Rate; and (c) be repayable on the same terms as each other Mezzanine Loan Note issued in accordance with the Mezzanine Loan Note Agreement, but shall be prepayable and repayable (including both interest and principal) in priority to each Mezzanine Loan Note (that is not a Mezzanine Cure Loan Note).

## **NEW FINANCIAL INDEBTEDNESS**

The Mezzanine Loan Note Issuer may incur Financial Indebtedness as a result of an increase in the amount available to be issued under the Mezzanine Loan Note Agreement, from the amount available as at the Closing Date, by way of the issuance of new Mezzanine Loan Notes (that are not Mezzanine Cure Loan Notes) to the Mezzanine Issuer (**New Mezzanine Financial Indebtedness**), to be documented in a mezzanine loan note tranche supplement, provided that each of the following conditions are satisfied before such Mezzanine Loan Notes are subscribed for by the Mezzanine Issuer and such New Mezzanine Financial Indebtedness is incurred:

- (a) prior to the fourth anniversary of the Closing Date, either:
  - (i) the Historical Whole Loan Debt Yield for the Test Period ending on (and including) the most recent Test Date; or
  - (ii) the Projected Whole Loan Debt Yield for the Projected Test Period commencing on the most recent Test Date,

immediately after the incurrence of such New Mezzanine Financial Indebtedness will be higher than 8.00 per cent (calculated assuming such New Mezzanine Financial Indebtedness was incurred on the previous Test Date, in respect of the calculation of the Historical Whole Loan Debt Yield, and at the beginning of the then current Projected Test Period, in respect of the calculation of the Projected Whole Loan Debt Yield);

- (b) on and from the fourth anniversary of the Closing Date, either:
  - (i) the Historical Whole Loan Debt Yield for the Test Period ending on (and including) the most recent Test Date; or
  - (ii) the Projected Whole Loan Debt Yield for the Projected Test Period commencing on the most recent Test Date,

immediately after the incurrence of such New Mezzanine Financial Indebtedness will be higher than 8.25 per cent calculated assuming such New Mezzanine Financial Indebtedness was incurred on the previous Test Date, in respect of the calculation of the Historical Whole Loan Debt Yield, and at the beginning of the then current Projected Test Period, in respect of the calculation of the Projected Whole Loan Debt Yield);

- (c) the Property Portfolio Criteria and the Incoming Property Criteria are satisfied in the case of any Property which an Obligor (or entity which is to become an Obligor) acquires or proposes to acquire in accordance with the Mezzanine Loan Note Agreement in connection with the incurrence of such New Mezzanine Financial Indebtedness;
- (d) the then current ratings of the then outstanding Mezzanine Notes and the then outstanding Notes will not be adversely affected by the incurrence of such New Mezzanine Financial Indebtedness (as confirmed by receipt of a Rating Agency Confirmation and a Rating Agency Confirmation (as defined in the Issuer/Borrower Loan Agreement) respectively);
- (e) such New Mezzanine Financial Indebtedness will rank *pari passu* to the then outstanding Mezzanine Loan Notes;
- (f) no Mezzanine Trigger Event or Trigger Event has occurred and is continuing or would result from such New Mezzanine Financial Indebtedness being incurred;

- (g) no Default or Obligor Default has occurred and is continuing or would result from such New Mezzanine Financial Indebtedness being incurred;
- (h) such New Mezzanine Financial Indebtedness will be denominated in sterling;
- (i) such New Mezzanine Financial Indebtedness incurred by the Mezzanine Loan Note Issuer will be on-lent first to the Borrower Holdco, then to the Borrower and then to a Propco, in each case, pursuant to Structural Intra-Group Loans and thereafter to the other Obligors pursuant to one or more Intra-Group Loans;
- (j) the New Mezzanine Financial Indebtedness will be in a principal amount of not less than £5,000,000;
- (k) any Incoming Property secures, on terms reasonably satisfactory to the Obligor Security Trustee acting on the instructions of the Issuer and the Mezzanine Agent, obligations in respect of the New Mezzanine Financial Indebtedness;
- (l) the New Mezzanine Financial Indebtedness shall be fully cross-collateralised and cross-defaulting with any existing Mezzanine Loan Note;
- (m) such New Mezzanine Financial Indebtedness is used solely for the purpose of acquiring or refinancing an Incoming Property and related costs;
- (n) such New Mezzanine Financial Indebtedness will have a final maturity date that is not earlier than six months after the Mezzanine Loan Note Final Maturity Date in respect of the Initial Mezzanine Notes;
- (o) if such New Financial Indebtedness will include any representation or warranty, covenant, undertaking (other than any payment undertaking), event of default (howsoever described or defined), indemnity or other mandatory prepayment provision which, in each case, is more onerous for the Obligors than the equivalent terms that apply to the existing Mezzanine Loan Notes (each such provision being a **Mezzanine Improved Term**):
  - (i) to the extent that the consent of the Issuer is required under the terms of the Issuer/Borrower Loan Agreement to a Mezzanine Improved Term, the consent of the Issuer is obtained in respect of that Mezzanine Improved Term or is deemed to be given in accordance with the Issuer/Borrower Loan Agreement (each such provision being an **Mezzanine Approved Improved Term**); and
  - (ii) in accordance with the terms of the Issuer/Borrower Loan Agreement, the Finance Documents are amended pursuant to the terms of the Intercreditor Agreement to include each Mezzanine Approved Improved Term.

## ***PAYMENT OF INTEREST***

Under the Mezzanine Loan Note Agreement, the Mezzanine Loan Note Issuer is required to pay accrued interest on each Mezzanine Loan Note on each relevant Mezzanine Loan Note Interest Payment Date – if such interest is not paid on such Mezzanine Loan Note Interest Payment Date, all interest accrued but unpaid as at that Mezzanine Loan Note Interest Payment Date shall be deferred until the following Mezzanine Loan Note Interest Payment Date and bear interest (together with the outstanding Mezzanine Loan Notes) at the rate specified below.

The rate of interest on each Mezzanine Loan Note for each interest period, determined in accordance with the Mezzanine Loan Note Agreement, is (i) in respect of a Mezzanine Loan Note

(other than a Mezzanine Cure Loan Note), the interest rate set out in the conditions application to the corresponding Mezzanine Note or (ii), in respect of a Mezzanine Cure Loan Note, 10.75 per cent. per annum if there are no unpaid sums under the Mezzanine Loan Note Agreement or 13.75 at any time that there are unpaid sums under the Mezzanine Loan Note Agreement.

## **REPAYMENT AND EXTENSION**

If a mezzanine loan note tranche supplement specifies that scheduled repayments apply to that Mezzanine Loan Note, the Mezzanine Loan Note Issuer shall repay such principal outstanding of such Mezzanine Loan Note in an amount equal to the scheduled repayment instalment as set out in the applicable mezzanine loan note tranche supplement (together with any accrued but unpaid interest and fees as at the relevant Mezzanine Loan Note Interest Payment Date) by noon on the Mezzanine Distribution Date prior to the relevant scheduled repayment date of the corresponding Mezzanine Notes.

Unless otherwise repaid earlier (as set out above), the Mezzanine Loan Note Issuer shall repay each Mezzanine Loan Note in full at its principal amount outstanding and any accrued but unpaid interest and fees as set out in the applicable mezzanine loan note tranche supplement by noon on the Mezzanine Distribution Date prior to that Mezzanine Loan Note Final Maturity Date.

Each Mezzanine Cure Loan Note is repayable in full at its principal amount outstanding and any accrued but unpaid interest as at the earliest Mezzanine Loan Note Final Maturity Date specified in a Mezzanine Loan Note Tranche Supplement relating to a Mezzanine Loan Note (other than a Mezzanine Cure Loan Note). However, if, on any Mezzanine Distribution Date, a Mezzanine Cure Loan Noteholder Cure Deposit is withdrawn from the Cure Account by the Obligor Security Trustee and applied in accordance with the relevant Borrower Payment Priorities, the Mezzanine Loan Note Issuer shall repay any amounts outstanding under any Mezzanine Cure Loan Note (together with any accrued but unpaid interest and fees) to the extent of the Mezzanine Cure Loan Noteholder Cure Deposit so withdrawn from the Cure Account.

Each Mezzanine Cure Loan Note is prepayable and repayable (including both as to interest and principal) in priority to each Mezzanine Loan Note (that is not a Mezzanine Cure Loan Note).

## **PREPAYMENTS**

### *Voluntary prepayment*

Voluntary prepayments, in whole or in part, of any Mezzanine Loan Notes may be made at any time, if it gives at least five Business Days' prior written notice but, if in part, being an amount that reduces the amount of a Mezzanine Loan Note by a minimum amount of £1,000,000.

### *Voluntary prepayment for gross-up by Mezzanine Loan Noteholder*

The Mezzanine Loan Note Issuer may prepay any Mezzanine Loan Note (together with all fees and other amounts to be paid by the Mezzanine Loan Note Issuer in accordance with the terms of the Mezzanine Loan Note Agreement) in whole as a consequence of the Mezzanine Loan Note Issuer or any other Mezzanine Obligor being required to increase payments to a Mezzanine Loan Noteholder in respect of that Mezzanine Loan Note as a result of the imposition of a requirement to deduct or withhold tax from such payments.

### *Mandatory prepayment – Change of Control*

If either (a) an Approved Controller ceases (directly or indirectly) to control each Obligor; or (b) an Approved Owner ceases (directly or indirectly) to be the legal and beneficial owner of more than 50

per cent. of the issued share capital (or equivalent) of each Obligor, then: (i) the Mezzanine Issuer shall not be obliged to subscribe for a Mezzanine Loan Note; and (ii) if a Mezzanine Noteholder so requires, the Mezzanine Agent shall declare the holding of that Mezzanine Noteholder in the relevant outstanding Mezzanine Loan Notes, together with accrued interest, and all other amounts accrued under the Mezzanine Finance Documents in respect of the prepayment of such Mezzanine Loan Notes, whereupon the outstanding Mezzanine Loan Notes subscribed for by that Mezzanine Loan Noteholder and all such amounts due to that Mezzanine Loan Noteholder will become immediately due and payable.

In respect of the Mezzanine Loan Note Agreement, an **Approved Controller** means (i) Brookfield Asset Management Inc. or BSREP II PBSA Limited; or (ii) a fund managed by an asset manager with: (a) assets of at least £2,000,000,000 under management (excluding the Properties and determined by its most recent accounts and (b) in the opinion of the Mezzanine Issuer, sufficient experience in running a portfolio of student accommodation of similar character to the Properties and has the necessary resources available to it. An **Approved Owner** means (i) BSREP II PBSA Limited; or (ii) a fund managed by an asset manager with (a) assets of at least £2,000,000,000 under management (excluding the Properties and determined by its most recent accounts (audited, if available)) using generally accepted accounting principles applicable to such fund; and (b) in the opinion of the Mezzanine Issuer, sufficient experience in running a portfolio of student accommodation of similar character to the Properties (including as to size, location and geographic spread and nature of letting (being substantially direct lets)) and has the necessary resources available to it.

#### *Mandatory prepayment – Illegality*

If, in any applicable jurisdiction, it becomes unlawful for any Mezzanine Loan Noteholder to perform any of its obligations as contemplated by the Mezzanine Loan Note Agreement or to own or subscribe for any outstanding Mezzanine Loan Note, then the Mezzanine Loan Note Issuer must prepay that Mezzanine Loan Noteholder's holding in the relevant Mezzanine Loan Notes (together with all fees and other amounts to be paid by the Mezzanine Loan Note Issuer in accordance with the terms of the Mezzanine Loan Note Agreement) in whole (and not in part) by noon on the next Mezzanine Distribution Date after that Mezzanine Loan Noteholder has notified the Mezzanine Loan Note Issuer or, if earlier, the date specified by that Mezzanine Loan Noteholder.

If, in any applicable jurisdiction, it becomes unlawful for the Mezzanine Issuer to perform any of its obligations as contemplated by the Mezzanine Conditions and the Mezzanine Issuer gives notice to the Mezzanine Note Trustee and Mezzanine Noteholders that it will redeem the Mezzanine Notes in full then the Mezzanine Loan Note Issuer must prepay the relevant Mezzanine Loan Notes (together with all fees and other amounts to be paid by the Mezzanine Loan Note Issuer in accordance with the terms of the Mezzanine Loan Note Agreement) in whole (and not in part) to the Mezzanine Issuer by noon on the next Mezzanine Distribution Date after the Mezzanine Issuer has notified the Mezzanine Loan Note Issuer or, if earlier, the date specified by the Mezzanine Issuer.

#### *Mandatory prepayment – Withholding on Mezzanine Notes*

If the Mezzanine Issuer is required to redeem all (but not some only) of the Mezzanine Notes as a result of a change in tax law the Mezzanine Loan Note Issuer must prepay the relevant Mezzanine Loan Note (together with all fees and other amounts to be paid by the Mezzanine Loan Note Issuer in accordance with the terms of the Mezzanine Loan Note Agreement) to the Mezzanine Issuer on the next Mezzanine Distribution Date after the Mezzanine Issuer has notified the Mezzanine Loan Note Issuer of such redemption.

### *Mandatory prepayment – Voluntary Prepayment of the Issuer/Borrower Loan*

If the Borrower voluntarily prepays an Issuer/Borrower Loan, the Mezzanine Loan Note Issuer must immediately prepay the Mezzanine Loan Notes, pro rata to be applied first against the Mezzanine Cure Loan Notes and then against the other Mezzanine Loan Notes (together with all fees and other amounts to be paid by the Mezzanine Loan Note Issuer in accordance with the terms of the Mezzanine Loan Note Agreement).

### *Mandatory prepayment – Receipt of other amounts*

Following receipt by a Mezzanine Obligor of any sums to be paid to the Mezzanine Finance Account or Mezzanine Prepayment Account in accordance with the terms of the Issuer/Borrower Loan Agreement or the Intercreditor Agreement, the Mezzanine Obligors shall apply such proceeds in prepayment of the Mezzanine Loan Notes on the next Mezzanine Distribution Date.

### *Prepayment fee*

If the Mezzanine Loan Note Issuer prepays all or any part of an Initial Mezzanine Loan Note in certain (but not all) of the above circumstances, it must pay to the Mezzanine Agent (for the account of the Mezzanine Issuer) a prepayment fee:

- (a) if the prepayment occurs prior to the second anniversary of the Closing Date, in an amount equal to the sum of: (i) the aggregate amount of interest which would have accrued on the principal outstanding of the Initial Mezzanine Loan Note so repaid if such amount had remained outstanding from the date of such prepayment until the second anniversary of the Closing Date; (ii) where the principal outstanding of the Initial Mezzanine Loan Note so repaid since the Closing Date exceeds £25,000,000 and only in relation to the amount equal to such excess, the aggregate amount of interest which would have accrued on such amount if it had remained outstanding from the second anniversary of the Closing Date to the third anniversary of the Closing Date and (iii) three per. cent of the amount by which the principal outstanding of the Initial Mezzanine Loan Note prepaid since the Closing Date exceeds £25,000,000;
- (b) if the prepayment occurs on or after the second anniversary of the Closing Date to (but not including) the third anniversary of the Closing Date, in an amount equal to: (i) where the principal outstanding of the Initial Mezzanine Loan Note so repaid since the Closing Date exceeds £25,000,000 and only in relation to the amount equal to such excess, the aggregate amount of interest which would have accrued on such amount if it had remained outstanding from the date of such prepayment to the third anniversary of the Closing Date and (ii) three per. cent of the amount by which the principal outstanding of the Initial Mezzanine Loan Note prepaid since the Closing Date exceeds £25,000,000;
- (c) if the prepayment occurs on or after the third anniversary of the Closing Date to (but not including) the fourth anniversary of the Closing Date, in an amount equal to three per. cent of the amount by which the principal outstanding of the Initial Mezzanine Loan Note prepaid since the Closing Date exceeds £25,000,000; and
- (d) if the prepayment occurs on or after the fourth anniversary of the Closing Date, nil.

The Mezzanine Loan Note Issuer shall pay to the Mezzanine Agent (for the account of the Mezzanine Issuer) on the date of the prepayment of all or any part of a Mezzanine Loan Note (other than an Initial Mezzanine Loan Note or a Mezzanine Cure Loan Note) a prepayment fee in the amount, at the times and in accordance with the relevant Mezzanine Loan Note Tranche Supplement entered into in respect of that Mezzanine Loan Note.

## ***MEZZANINE BANK ACCOUNTS***

### *Designation of Mezzanine Accounts*

The Mezzanine Loan Note Issuer has opened and is required to maintain deposit accounts in its name designated the Mezzanine Finance Account, the Mezzanine Prepayment Account, the Mezzanine Lock-Up Account and the Mezzanine Loan Note Issuer General Account.

The Mezzanine Holdco has opened and will maintain a current account in its name designated a Mezzanine Holdco General Account.

### *Mezzanine Account Bank*

Each Mezzanine Account (other than the Luxembourg Share Capital Accounts) must be held in the UK at Barclays Bank PLC or a bank which has the Required Ratings.

If any bank or financial institution which holds a Mezzanine Account ceases to have the Required Ratings, the Mezzanine Obligors must replace such bank or financial institution with a bank or financial institution that has the Required Ratings.

### *Signing rights*

The Mezzanine Agent has sole signing rights in relation to the Mezzanine Finance Account, the Mezzanine Prepayment Account and the Mezzanine Lock-Up Account.

The relevant Mezzanine Obligors will be able to independently exercise their signing rights in respect of its Mezzanine General Account, until a Mezzanine Trigger Event is continuing or a Mezzanine Default is continuing.

### *Mezzanine Finance Account*

Subject to the paragraph below, the Mezzanine Agent will apply the funds standing to the credit of the Mezzanine Finance Account in accordance with the Mezzanine Loan Note Issuer Pre-Enforcement Pre-Acceleration Payment Priorities, the Mezzanine Loan Note Issuer Post-Enforcement Pre-Acceleration Payment Priorities or the Mezzanine Loan Note Issuer Post-Enforcement Post-Acceleration Payment Priorities (as applicable).

If a Mezzanine Cure Deposit or a Mezzanine Cure Loan Noteholder Cure Deposit is paid into the Mezzanine Finance Account in accordance with the relevant Borrower Payment Priorities on a Distribution Date, then:

- (a) in respect of a Mezzanine Cure Deposit, the Mezzanine Agent shall at the request of the Mezzanine Loan Note Issuer, withdraw the Mezzanine Cure Deposit standing to the credit of the Mezzanine Finance Account and: (i) apply those amounts in voluntary prepayment of the Mezzanine Loan Notes in or towards amounts due and payable at that time (including a prepayment fee in respect of such prepayment), provided that no Trigger Event would occur as a result of such application; or (i) transfer those amounts to a Mezzanine General Account, as notified by the Mezzanine Loan Note Issuer; and
- (b) in respect of a Mezzanine Cure Loan Noteholder Cure Deposit, the Mezzanine Agent shall withdraw the Mezzanine Cure Loan Noteholder Cure Deposit standing to the credit of the Mezzanine Finance Account and apply those amounts in accordance with the relevant Mezzanine Loan Note Issuer payment priority on that Distribution Date or, if different, the next Mezzanine Distribution Date.



### *Mezzanine Prepayment Account*

The Mezzanine Obligor must ensure that certain amounts that are required to be applied in prepayment of the Mezzanine Loan Notes in accordance with the repayment provisions of the Mezzanine Loan Note Agreement are deposited into the Mezzanine Prepayment Account.

By noon on each Mezzanine Distribution Date, or earlier at the request of the Mezzanine Loan Note Issuer, the Mezzanine Agent must withdraw from, and apply all amounts standing to the credit of the Mezzanine Prepayment Account in prepayment of first, the Mezzanine Cure Loan Notes and secondly, the other Mezzanine Loan Notes and, in each case, any amounts at that time payable in respect of such prepayment.

### *Mezzanine Lock-Up Account*

On any Mezzanine Distribution Date on which amounts are standing to the credit of the Mezzanine Lock-Up Account and no Mezzanine Trigger Event is continuing or has occurred at any time during the Mezzanine Loan Note Interest Period within which that Mezzanine Distribution Date falls and the Mezzanine Loan Note Interest Period during which the previous Mezzanine Distribution Date fell, the Mezzanine Agent shall, at the request of the Mezzanine Loan Note Issuer, on that Mezzanine Loan Note Interest Payment Date, withdraw the amounts standing to the credit of the Mezzanine Lock-Up Account and apply (i) those amounts in voluntary prepayment of the Mezzanine Loan Notes in accordance with the prepayment terms of the Mezzanine Loan Note Agreement provided that no Mezzanine Trigger Event would occur as a result of such application; or (ii) transfer those amounts to a Mezzanine General Account, as notified by the Mezzanine Loan Note Issuer.

On any Mezzanine Distribution Date on which: (a) any amount has been standing to the credit of the Mezzanine Lock-Up Account for a period of 18 months or more; or (b) a Mezzanine Trigger Event is continuing for a period of 18 months or more, then all amounts standing to the credit of the Mezzanine Lock-Up Account shall be applied in voluntary prepayment of the Mezzanine Loan Notes in accordance with the terms of the Mezzanine Loan Note Agreement.

Following the service of a Mezzanine Enforcement Notice or a Mezzanine Acceleration Notice, the Mezzanine Agent must withdraw all amounts standing to the credit of the Mezzanine Lock-Up Account and apply those amounts in voluntary prepayment of the Mezzanine Loan Notes provided that following the repayment in full of all amounts owing by the Mezzanine Loan Note Issuer under the Finance Documents, any amounts standing thereafter from time to time to the credit of the Mezzanine Lock-Up Account may be withdrawn by or at the direction of the Mezzanine Loan Note Issuer and transferred to the Mezzanine Loan Note Issuer General Account, or as it shall otherwise direct.

### *Mezzanine General Accounts*

A relevant Mezzanine Obligor may make withdrawals from its Mezzanine General Account at any time, subject to any restriction in the Intercreditor Agreement and the requirement that amounts paid into a Mezzanine General Account for a particular purpose must be used for that purpose and provided that no Mezzanine Trigger Event is continuing or Mezzanine Default is continuing.

## **MEZZANINE FINANCIAL COVENANTS**

### *Historical Whole Loan Debt Yield and Projected Whole Loan Debt Yield*

The Mezzanine Loan Note Issuer is required to ensure compliance with the following financial covenants:

- (a) that the **Historical Whole Loan Debt Yield** is, on each Test Date in respect of the Test Period ending on (and including) that Test Date, not lower than 6.75 per cent.; and
- (b) that the **Projected Whole Loan Debt Yield** is, on each Test Date in respect of the Projected Test Period commencing on (but not including) that Test Date, not lower than 6.75 per cent.

#### *Cure rights*

If the Historical Whole Loan Debt Yield covenant and/or the Projected Whole Loan Debt Yield covenant are not satisfied on a Test Date, a Mezzanine Obligor may, within 30 days of such Test Date: (a) prepay the Issuer/Borrower Loan in an amount sufficient to ensure the Historical Whole Loan Debt Yield covenant and the Projected Whole Loan Debt Yield covenant would be met at the start of the Test Period ending on (and including) such Test Date and, at the start of the Projected Test Period starting on (and excluding) such Test Date (as applicable) (a **Mezzanine Covenant Breach Cure Payment**); (b) make a Mezzanine Cure Deposit; or (c) procure that a subsidiary of the Borrower acquires Properties to provide sufficient Actual NOI or Projected NOI (as applicable), to ensure compliance with the Historical Whole Loan Debt Yield covenant and the Projected Whole Loan Debt Yield covenant.

If a Mezzanine Covenant Breach Cure Payment is to be made, the Mezzanine Loan Note Issuer must ensure that, on or before the date of such prepayment, an amount equal to the Associated Prepayment Costs for that prepayment is paid to the Issuer to be applied by the Issuer, together with the Mezzanine Covenant Breach Cure Payment, in prepayment of the Issuer/Borrower Loans.

The above cure rights may not be exercised on two consecutive Test Dates or more than four times in any five-year period.

### **MEZZANINE TRIGGER EVENTS**

#### *Mezzanine Trigger Events*

The occurrence of any of the following events will be a **Mezzanine Trigger Event**:

- (a) in respect of any Test Date (a **Mezzanine Trigger Event Date**) when any of the following ratios (a **Mezzanine Trigger Event Financial Covenant**) breach the relevant level specified below (a **Mezzanine Trigger Event Financial Covenant Breach**):
  - (i) either: (i) the Historical Whole Loan Debt Yield for each Test Period ending on (and including) each Test Date during the period from the Closing Date to the first anniversary of the Closing Date; or (ii) the Projected Whole Loan Debt Yield for each Projected Test Period commencing on each Test Date during the period from the Closing Date to the first anniversary of the Closing Date, in each case, is lower than 7.25 per cent.;
  - (ii) either: (i) the Historical Whole Loan Debt Yield for each Test Period ending on (and including) each Test Date during the period from the first anniversary of the Closing Date to the second anniversary of the Closing Date; or (ii) the Projected Whole Loan Debt Yield for each Projected Test Period commencing on each Test Date during the period from the first anniversary of the Closing Date to the second anniversary of the Closing Date, in each case, is lower than 7.50 per cent.;
  - (iii) either: (i) the Historical Whole Loan Debt Yield for each Test Period ending on (and including) each Test Date during the period from the second anniversary of the Closing Date to the third anniversary of the Closing Date; or (ii) the Projected Whole

Loan Debt Yield for each Projected Test Period commencing on each Test Date during the period from the second anniversary of the Closing Date to the third anniversary of the Closing Date, in each case, is lower than 7.75 per cent.;

- (iv) either: (i) the Historical Whole Loan Debt Yield for each Test Period ending on (and including) each Test Date during the period from the third anniversary of the Closing Date to the fourth anniversary of the Closing Date; or (ii) the Projected Whole Loan Debt Yield for each Projected Test Period commencing on each Test Date during the period from the third anniversary of the Closing Date to the fourth anniversary of the Closing Date, in each case, is lower than 8.00 per cent.; and
- (v) either: (i) the Historical Whole Loan Debt Yield for each Test Period ending on (and including) each Test Date during the period from the fourth anniversary of the Closing Date to the fifth anniversary of the Closing Date; or (ii) the Projected Whole Loan Debt Yield for the Projected Test Period during the period from the fourth anniversary of the Closing Date to the fifth anniversary of the Closing Date, in each case, is lower than 8.25 per cent.;
- (b) the occurrence and continuation of a Mezzanine Event of Default;
- (c) the auditors qualify their report on any audited financial statements of a Mezzanine Obligor, or restate their report on any audited financial statements of a Mezzanine Obligor, as a result of which a Trigger Event Financial Covenant Breach would have occurred if the Management Report(s) which was used as the basis of calculation of the Trigger Event Financial Covenants were amended to take into account such qualified or restated report or financial statements on the immediately preceding Test Date (recalculated on the date of such qualification or restatement);
- (d) the Asset Management Agreement and/or any Facility Management Agreement is not, or ceases to be, in full force and effect unless it has been replaced with another agreement in accordance with the terms of the Mezzanine Loan Note Agreement, within thirty days; or
- (e) any Facility Manager becomes subject to Insolvency Proceedings or fails to comply with its obligations to make payments into the relevant Management Company General Account or the relevant Facility Manager Client Account unless such failure is due to technical error and such payment is made within three Business Days of the payment falling due.

### ***MEZZANINE TRIGGER EVENT CONSEQUENCES***

At any time a Mezzanine Trigger Event is continuing:

- (a) neither the Mezzanine Loan Note Issuer nor the Mezzanine Holdco will be permitted to make a Permitted Payment;
- (b) in the event that one or more Mezzanine Trigger Events have been continuing for 18 months or more and for so long as any Mezzanine Loan Note remains outstanding, then the Mezzanine Obligors shall on each Mezzanine Distribution Date thereafter on which such Trigger Event is continuing, apply all amounts then standing to the credit of the Mezzanine Lock-Up Account on the next Mezzanine Distribution Date in mandatory prepayment of the Mezzanine Loan Notes accordance with the terms of the Mezzanine Loan Note Agreement; and
- (c) an amount equal to 100 per cent. of the surplus amount standing to the credit of the Mezzanine Finance Account after payment of items (a) to (g) of the Mezzanine Borrower

Pre-Enforcement Pre-Acceleration Payment Priorities or after payment of items (a) to (g) of the Mezzanine Loan Note Issuer Post-Enforcement Pre-Acceleration Payment Priorities shall be paid into the Mezzanine Lock-Up Account.

### **MEZZANINE EVENT OF DEFAULT**

An Obligor Default under the Issuer/Borrower Loan Agreement triggers a cross-default to the Mezzanine Loan Note Agreement.

### **MEZZANINE LOAN NOTE ISSUER PAYMENT PRIORITIES**

#### *Mezzanine Loan Note Issuer Pre-Enforcement Pre-Acceleration Payment Priorities*

On each Mezzanine Distribution Date prior to the service of a Mezzanine Acceleration Notice and/or a Mezzanine Enforcement Notice monies credited to the Mezzanine Finance Account must be applied in the following order (the **Mezzanine Loan Note Issuer Pre-Enforcement Pre-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Agent and the Mezzanine Security Trustee, the Mezzanine Loan Note Registrar and appointees (if any) of the Mezzanine Agent and Mezzanine Security Trustee, to the account specified by the Mezzanine Agent; and
  - (ii) the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Issuer to the Mezzanine Note Trustee and the Mezzanine Issuer Security Trustee and appointees (if any) under the Mezzanine Note Trust Deed or the Mezzanine Issuer Deed of Charge (respectively), to the Mezzanine Issuer Transaction Account;
- (b) **secondly**, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (i) the fees, costs, expenses and indemnity payments due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Obligor Account Bank (to the extent not already paid from a Mezzanine Account as permitted by the terms of the Mezzanine Loan Note Agreement), to the Mezzanine Loan Note Issuer General Account; and
  - (ii) the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses and indemnity payments due and payable by the Mezzanine Issuer to the Mezzanine Paying Agents and the Mezzanine Registrar under the Mezzanine Agency Agreement, the Mezzanine Issuer Account Bank under the Mezzanine Issuer Account Bank Agreement, the Mezzanine Issuer Cash Manager under the Mezzanine Issuer Cash Management Agreement, the Mezzanine Servicer and the Mezzanine Special Servicer under the Mezzanine Servicing Agreement and the Mezzanine Corporate Services Provider under the Mezzanine Corporate Services Agreement, to the Mezzanine Issuer Transaction Account;

- (c) **thirdly**, in or towards satisfaction of any amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of the Mezzanine Facility Fee in respect of third party amounts (including any amounts due and payable by the Mezzanine Issuer and for which the Mezzanine Issuer is primarily liable in respect of all other Tax for which the Mezzanine Issuer is liable under the laws of any jurisdiction), to the Mezzanine Issuer Transaction Account;
- (d) **fourthly**, in or towards satisfaction, pro rata, of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (e) **fifthly**, in or towards satisfaction, pro rata, of all principal due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (f) **sixthly**, in or towards satisfaction of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement (including any deferred interest that has become due and payable), to the Mezzanine Issuer Transaction Account;
- (g) **seventhly**, in or towards satisfaction of any other payments (including principal and any Repayment Costs) due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement, to the Mezzanine Issuer Transaction Account;
- (h) **eighthly**, if a Trigger Event has occurred and is continuing in respect of the Test Date immediately prior to such Mezzanine Loan Note Interest Payment Date, payment of 100 per cent. of the balance remaining in the Mezzanine Finance Account after payment in full of the amounts owing under items (a) to (g) (inclusive) above, to the Mezzanine Lock-Up Account; and
- (i) **ninthly**, any surplus remaining following the payment in full of the amounts owing under items (a) to (h) (inclusive) above to the Mezzanine Loan Note Issuer General Account.

*Mezzanine Loan Note Issuer Post-Enforcement Pre-Acceleration Payment Priorities*

All monies received or recovered by the Mezzanine Security Trustee in respect of the Mezzanine Only Security and under the guarantees shall be applied on each Mezzanine Loan Note Interest Payment Date must be applied in the following order (the **Mezzanine Loan Note Issuer Post-Enforcement Pre-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction *pro rata* and *pari passu* of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Agent, the Mezzanine Security Trustee, the Mezzanine Loan Note Registrar and appointees (if any) of the Mezzanine Agent and Mezzanine Security Trustee, to the account specified by the Mezzanine Agent; and
  - (ii) the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Issuer to the Mezzanine Note Trustee and the Mezzanine Issuer Security Trustee and appointees (if any) under the Mezzanine Note Trust Deed or the

Mezzanine Issuer Deed of Charge (respectively), to the Mezzanine Issuer Transaction Account;

- (b) **secondly**, in or towards satisfaction of the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses and indemnity payments due and payable by the Mezzanine Issuer to the Mezzanine Paying Agents and the Mezzanine Registrar under the Mezzanine Agency Agreement, the Mezzanine Issuer Account Bank under the Mezzanine Issuer Account Bank Agreement, the Mezzanine Issuer Cash Manager under the Mezzanine Issuer Cash Management Agreement, the Mezzanine Servicer and the Mezzanine Special Servicer under the Mezzanine Servicing Agreement and the Mezzanine Corporate Services Provider under the Mezzanine Corporate Services Agreement, to the Mezzanine Issuer Transaction Account;
- (c) **thirdly**, in or towards satisfaction of any amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of the Mezzanine Facility Fee in respect of third party amounts (including any amounts due and payable by the Mezzanine Issuer and for which the Mezzanine Issuer is primarily liable in respect of all other Tax for which the Mezzanine Issuer is liable under the laws of any jurisdiction), to the Mezzanine Issuer Transaction Account;
- (d) **fourthly**, in or towards satisfaction, pro rata, of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (e) **fifthly**, in or towards satisfaction, pro rata, of all principal due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (f) **sixthly**, in or towards satisfaction of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement (including any deferred interest that has become due and payable), to the Mezzanine Issuer Transaction Account;
- (g) **seventhly**, in or towards satisfaction of any other payments (including principal and any Repayment Costs) on the Mezzanine Facilities due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement, to the Mezzanine Issuer Transaction Account; and
- (h) **eighthly**, payment of 100 per cent. of the balance after payment in full of the amounts owing under items (a) to (g) (inclusive) above to the Mezzanine Lock-Up Account.

*Mezzanine Loan Note Issuer Post-Enforcement Post-Acceleration Payment Priorities*

All Available Enforcement Proceeds must, following the delivery of both a Mezzanine Enforcement Notice and a Mezzanine Acceleration Notice by the Mezzanine Agent, must be applied in the following order (the **Mezzanine Loan Note Issuer Post-Enforcement Post-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction *pro rata* and *pari passu* of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Agent, the Mezzanine Security Trustee, the Mezzanine Loan Note Registrar and appointees (if

any) of the Mezzanine Agent and Mezzanine Security Trustee, to the account specified by the Mezzanine Agent; and

- (ii) the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Mezzanine Issuer to the Mezzanine Note Trustee and the Mezzanine Issuer Security Trustee and appointees (if any) under the Mezzanine Note Trust Deed or the Mezzanine Issuer Deed of Charge (respectively), to the Mezzanine Issuer Transaction Account;
- (b) **secondly**, in or towards satisfaction of the amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of Mezzanine Facility Fee in respect of the remuneration, fees, costs, expenses and indemnity payments due and payable by the Mezzanine Issuer to the Mezzanine Paying Agents and the Mezzanine Registrar under the Mezzanine Agency Agreement, the Mezzanine Issuer Account Bank under the Mezzanine Issuer Account Bank Agreement, the Mezzanine Issuer Cash Manager under the Mezzanine Issuer Cash Management Agreement, the Mezzanine Servicer and the Mezzanine Special Servicer under the Mezzanine Servicing Agreement and the Mezzanine Corporate Services Provider under the Mezzanine Corporate Services Agreement, to the Mezzanine Issuer Transaction Account;
- (c) **thirdly**, in or towards satisfaction of any amount due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer by way of the Mezzanine Facility Fee in respect of third party amounts (including any amounts due and payable by the Mezzanine Issuer and for which the Mezzanine Issuer is primarily liable in respect of all other Tax for which the Mezzanine Issuer is liable under the laws of any jurisdiction), to the Mezzanine Issuer Transaction Account;
- (d) **fourthly**, in or towards satisfaction, pro rata, of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (e) **fifthly**, in or towards satisfaction, pro rata, of all principal due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Cure Loan Noteholders, to the account specified by the Mezzanine Agent;
- (f) **sixthly**, in or towards satisfaction of all interest due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement (including any deferred interest that has become due and payable), to the Mezzanine Issuer Transaction Account;
- (g) **seventhly**, in or towards satisfaction of any other payments (including principal and any Repayment Costs) due and payable by the Mezzanine Loan Note Issuer to the Mezzanine Issuer under the Mezzanine Loan Note Agreement, to the Mezzanine Issuer Transaction Account;
- (h) **eighthly**, in satisfaction of all other Mezzanine Secured Obligations then due and owing; and
- (i) **ninthly**, of 100 per cent. of the balance after payment in full of the amounts owing under items (a) to (h) (inclusive) to be paid to the Mezzanine Loan Note Issuer in its sole discretion.

## C. INTERCREDITOR AGREEMENT

The Intercreditor Agreement governs the relationship between the Issuer (as lender under the Issuer/Borrower Loan Agreement), the Mezzanine Loan Noteholders, the Intra-Group Lenders, the Mezzanine Shareholder and the Debtors.

### **DEFINITIONS**

**Acquisition Election Period** has the meaning given to it in the section "*Enforcement Action – Restriction on Finance Party Enforcement Action*" below.

**Appropriation** means the appropriation or sale (or similar process) of the shares in the capital of a member of the Group (other than the Borrower Holdco) by the Obligor Security Trustee (or any receiver or delegate) which is effected (to the extent permitted under the relevant Obligor Security Document and applicable law) by enforcement of the Obligor Transaction Security.

**Acquisition** means the acquisition of:

- (a) upon the taking of Mezzanine Enforcement Action by a Mezzanine Finance Party under the relevant Mezzanine Only Security granted by the Mezzanine Loan Note Issuer, all (and not some) of:
  - (i) the issued shares in the Borrower Holdco; and
  - (ii) the Mezzanine Loan Note Issuer's rights and interests in and under any Mezzanine Loan Note Issuer Intercompany Loan Agreement; or
- (b) upon the taking of Mezzanine Enforcement Action by a Mezzanine Finance Party under the relevant Mezzanine Only Security granted by Mezzanine Holdco, all (and not some) of:
  - (i) the issued shares in the Mezzanine Loan Note Issuer; and
  - (ii) Mezzanine Holdco's rights and interests in and under any Mezzanine Holdco Intercompany Loan Agreement.

**Asset** of a member of the Group or of an Obligor means:

- (a) any asset of that member of the Group or of that Obligor;
- (b) any Subsidiary of that member of the Group or of that Obligor; and
- (c) any asset of any such Subsidiary.

**Borrowing Liabilities** means, in relation to a member of the Larger Group, the liabilities and obligations (not being Guarantee Liabilities) it may have as a principal debtor to an Intercreditor Finance Party or Debtor in respect of Financial Indebtedness arising under the Debt Documents (whether incurred solely or jointly and including, without limitation, liabilities and obligations as a borrower under the Finance Documents and liabilities and obligations as an issuer under the Mezzanine Finance Documents).

**Common Insolvency Event** means in relation to any Obligor (or for the purposes of: (a) any potential enforcement action to be taken by the Mezzanine Holdco against the Mezzanine Loan Note Issuer only, the Mezzanine Loan Note Issuer; or (b) any potential enforcement action to be taken by the Mezzanine Shareholder against the Mezzanine Holdco only, the Mezzanine Holdco):



- (a) any resolution is passed or order made for the winding-up, dissolution, administration or reorganisation of that person, a moratorium is declared in relation to any indebtedness of that person or an administrator is appointed for that person;
- (b) any composition, compromise, assignment or arrangement is made with any of its Intercreditor Finance Parties;
- (c) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that person or any of its assets; or
- (d) any analogous procedure or step is taken in any jurisdiction.

**Control Valuation Event** has the meaning given to it in the section "*Amendments and Waivers*" "*Control Valuation Event – Finance Documents*" below.

**Control Valuation Event Cure Amount** means, in respect of a Control Valuation Event, the amount that, if deducted from the amount of the Issuer/Borrower Loans, would mean that such Control Valuation Event was no longer continuing.

**Control Valuation Event Cure Payment** means, in respect of a Control Valuation Event, the payment of an amount equal to the aggregate of:

- (a) the Control Valuation Event Cure Amount required to cure that Control Valuation Event; and
- (b) an amount equal to the Associated Prepayment Costs that will be payable by the Borrower under the Issuer/Borrower Loan Agreement on the application of that Control Valuation Event Cure Amount in prepayment of the Issuer/Borrower Loans,

by one or more Mezzanine Cure Loan Noteholders to the Issuer for application in accordance with the Issuer/Borrower Loan Agreement.

**Covenant Cure** means a Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment, a Control Valuation Event Cure Payment or a Mezzanine Cure Loan Noteholder Cure Deposit.

**Curable Default** means:

- (a) a Payment Default; or
- (b) a Financial Covenant Ratio Breach.

**Cure** means a Cure Payment or a Mezzanine Cure Loan Noteholder Cure Deposit.

**Cure Payment** means a Payment Default Cure Payment, a Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment or a Control Valuation Event Cure Payment.

**Debt Document** means each of the Intercreditor Agreement, the Finance Documents, the Mezzanine Finance Documents, the Hedging Agreements, the Obligor Security Documents, the Mezzanine Only Security Documents, any agreement evidencing the terms of any Subordinated Liabilities and any other document designated as such in accordance with the Intercreditor Agreement.

**Debtor** means an Original Debtor or any person which becomes a party to the Intercreditor Agreement as a Debtor pursuant to the Intercreditor Agreement unless, in each case, they have resigned as a Debtor in accordance with the terms of the Intercreditor Agreement.

**Debtor Liabilities** means, in relation to a member of the Larger Group, any liabilities and obligations owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that member of the Larger Group.

**Distress Event** means any of:

- (a) prior to the Senior Discharge Date, the Issuer exercising its powers to accelerate all or any part of the Issuer/Borrower Loans or directing the Obligor Security Trustee to exercise any or all of its rights under the Finance Documents; or
- (b) on or after the Senior Discharge Date if the Mezzanine Discharge Date has not occurred by that date, the Mezzanine Agent exercising its power to accelerate all or any part of the Mezzanine Loan Notes or directing the Mezzanine Security Trustee to exercise any or all of its rights under the Mezzanine Finance Documents; or
- (c) the enforcement of any Obligor Transaction Security.

**Distressed Disposal** means a disposal of an Asset of an Obligor which is:

- (a) being effected at the request of an Instructing Group in circumstances where the Obligor Transaction Security has become enforceable;
- (b) being effected by enforcement of the Obligor Transaction Security (including, without limitation, the disposal of any assets of an Obligor, the shares in which have been subject to an Appropriation); or
- (c) being effected, after the occurrence of a Distress Event, by a Debtor to a person or persons which is not or are not a member or members of the Larger Group.

**Election Period** means, in respect of a Payment Default, a Payment Cure Election Period, or in respect of a Financial Covenant Ratio Breach, a Financial Covenant Cure Election Period or, in respect of a Control Valuation Event, a Control Valuation Event Election Period.

**Enforcement Action** means:

- (a) in relation to any Liabilities:
  - (i) the acceleration of any Liabilities or the making of any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Finance Party or a Mezzanine Finance Party to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Obligor Secured Debt Documents);
  - (ii) the making of any declaration that any Liabilities are payable on demand;
  - (iii) the making of a demand in relation to a Liability that is payable on demand (other than a demand made by a Subordinated Finance Party in relation to any Liabilities which are on-demand Liabilities to the extent (A) that the demand is made in the ordinary course of dealings between the relevant Debtor and Subordinated Finance Party, and (B) that any resulting Payment would be a Permitted Payment);
  - (iv) the making of any demand against any member of the Larger Group in relation to any Guarantee Liabilities of that member of the Larger Group;

- (v) the exercise of any right to require any member of the Larger Group to acquire any Liability (including exercising any put or call option against any member of the Larger Group for the redemption or purchase of any Liability); and
- (vi) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Larger Group to recover any Liabilities;
- (b) the premature termination or close-out of any hedging transaction under any Hedging Agreement;
- (c) the taking of any steps to enforce or require the enforcement of any Obligor Transaction Security (including the crystallisation of any floating charge forming part of the Obligor Transaction Security);
- (d) the exercise of any right of set-off, account combination or payment netting against any member of the Larger Group in respect of any Liabilities other than:
  - (i) the exercise of any right of payment netting or close-out netting by a Hedge Counterparty owing under and in accordance with any Hedging Agreement; or
  - (ii) pursuant to any netting or set-off of Intra-Group Liabilities provided that:
    - (A) the netting and set-off is made in the ordinary course of dealings between the relevant Debtor and Intra-Group Lender;
    - (B) at the time of the exercise of that right no Payment Stop Notice is outstanding; and
    - (C) such netting or set-off does not breach the terms of the Finance Documents or the Mezzanine Finance Documents;
- (e) other than as part of a consent, waiver or amendment permitted under the Intercreditor Agreement or any action taken under the provision relating to changing parties to the Intercreditor Agreement, the entering into of any composition, compromise, assignment or arrangement with any member of the Larger Group which owes any Liabilities, or has given any Security Interest, guarantee or indemnity or other assurance against loss in respect of the Liabilities; or
- (f) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding-up, dissolution, administration or reorganisation of any member of the Larger Group which owes any Liabilities, or has given any Security Interest, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, or any of such member of the Larger Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Larger Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- (i) the taking of any action falling within paragraphs (a)(vi) or (f) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

- (ii) a Hedge Counterparty or a Mezzanine Finance Party bringing legal proceedings against any person solely for the purpose of:
  - (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party;
  - (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages; or
  - (C) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages.

**Grace Period** means:

- (a) in the case of a Payment Default:
  - (i) in respect of the period in which the Mezzanine Agent can make an election on behalf of any Mezzanine Cure Loan Noteholder to cure a Payment Default (such period being the **Payment Cure Election Period**), the period commencing on the date the relevant Payment Default has occurred to (and including) the date falling ten Intercreditor Business Days after the Mezzanine Agent has received notification from the Issuer that a Payment Default has occurred; and
  - (ii) in respect of the period for payment of the relevant Cure following the receipt of a Mezzanine Cure Notification in respect of a Payment Default, the period ending on the day falling ten Intercreditor Business Days after the delivery of that Mezzanine Cure Notification; and
- (b) in the case of a Financial Covenant Default:
  - (i) in respect of the period in which the Mezzanine Agent can make an election on behalf of any Mezzanine Cure Loan Noteholder to cure a Financial Covenant Default (such period being the **Financial Covenant Cure Election Period**), the period commencing on the date the relevant Financial Covenant Default has occurred to (and including) the date falling ten Intercreditor Business Days after the end of the grace period under the Issuer/Borrower Loan Agreement within which the Obligors can cure that Financial Covenant Default; and
  - (ii) in respect of the period for payment of the relevant Cure following the receipt of a Mezzanine Cure Notification in respect of a Financial Covenant Default, the period ending on the day falling ten Intercreditor Business Days after the delivery of that Mezzanine Cure Notification; and
- (c) in the case of a Control Valuation Event:
  - (i) in respect of the period in which the Mezzanine Agent can make an election on behalf of any Mezzanine Cure Loan Noteholder to cure a Control Valuation Event (such period being the **Control Valuation Event Election Period**), the period commencing on the date the relevant Control Valuation Event has occurred to (and including) the date falling ten Intercreditor Business Days after the date on which a copy of the Compliance Certificate evidencing that a Control Valuation Event has occurred is delivered to the Mezzanine Agent; and

- (ii) in respect of the period for payment of the relevant Cure following the receipt of a Mezzanine Cure Notification in respect of that Control Valuation Event, the period ending on the day falling ten Intercreditor Business Days after the delivery of that Mezzanine Cure Notification.

**Group** means the Borrower Holdco and its Subsidiaries for the time being.

**Guarantee Liabilities** means, in relation to a member of the Larger Group, the liabilities and obligations under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have to an Intercreditor Finance Party or Debtor as or as a result of its being a guarantor or surety (including, without limitation, liabilities and obligations arising by way of guarantee, indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Finance Documents and the Mezzanine Finance Documents).

**Hedging Liabilities** means the Liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements.

**Hedging Purchase/Termination Amount** means, at the time of calculation and in respect of a Hedge Counterparty, the aggregate of:

- (a) in respect of a hedging transaction under a Hedging Agreement to which that Hedge Counterparty is a party, the amount that would be payable to (expressed as a positive number) or by (expressed as a negative number) that Hedge Counterparty on the relevant date if:
  - (i) that date was an "Early Termination Date" (as defined in the relevant ISDA Master Agreement); and
  - (ii) the relevant Debtor was the "Defaulting Party" (under and as defined in the relevant ISDA Master Agreement),

as certified by the relevant Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement; and

- (b) any properly incurred fees, costs and expenses incurred by Hedge Counterparty in connection with the applicable transfer or termination of the Hedging Liabilities.

**Instructing Group** means at any time:

- (a) prior to the Senior Discharge Date,
  - (i) if a Hedge Counterparty is not party to the Intercreditor Agreement in such capacity, the Issuer; or
  - (ii) if a Hedge Counterparty is party to the Intercreditor Agreement in such capacity, the Majority Senior Finance Parties; and
- (b) on or after the Senior Discharge Date if the Mezzanine Discharge Date has not occurred by that date, the Mezzanine Instructing Group (acting through the Mezzanine Agent).

**Intercreditor Business Day**, for the purposes of the Intercreditor Agreement, means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Luxembourg, the Cayman Islands.

**Intercreditor Finance Party** means a Primary Finance Party or a Subordinated Finance Party.

**Intra-Group Lender** means any Obligor which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with another Obligor.

**Intra-Group Liabilities** means the Liabilities owed by any Obligor to any of the Intra-Group Lenders.

**Larger Group** means the Mezzanine Shareholder and its Subsidiaries for the time being.

**Liabilities** means all present and future liabilities and obligations at any time of any Debtor to any Intercreditor Finance Party under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity, together with any of the following matters relating to or arising in respect of those liabilities and obligations:

- (a) any refinancing, novation, deferral or extension;
- (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;
- (c) any claim for damages or restitution; and
- (d) any claim as a result of any recovery by any Debtor of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

**Liabilities Sale** means the disposal of all Liabilities owed to the Primary Finance Parties and, where applicable, all or part of the Debtor Liabilities as contemplated in paragraph (b) in the section "*Distressed Disposals and Appropriations*" below.

**Majority Senior Finance Parties** means, at any time, those Finance Parties whose Senior Credit Participations at that time aggregate more than 66<sup>2/3</sup> per cent. of the total Senior Credit Participations at that time.

**Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment** means, in respect of a Financial Covenant Default, the payment of an amount equal to the aggregate of:

- (a) the Covenant Breach Cure Payment required to cure that Financial Covenant Default; and
- (b) an amount equal to the Associated Prepayment Costs that will be payable by the Borrower under the Issuer/Borrower Loan Agreement on the application of that Covenant Breach Cure Payment in prepayment of the Issuer/Borrower Loans,

by one or more Mezzanine Cure Loan Noteholders to the Issuer for application in accordance with the Issuer/Borrower Loan Agreement.

**Mezzanine Cure Loan Noteholder Cure Deposit** means, in respect of a Financial Covenant Default occurring on a Test Date, the payment of an amount equal to the aggregate of:

- (a) the Cure Deposit required to cure that Financial Covenant Default; and
- (b) the estimate by the Mezzanine Cure Loan Noteholders that intend to cure that Financial Covenant Default (the **Relevant Mezzanine Cure Loan Noteholders**) (acting reasonably

and in good faith) of the Associated Prepayment Costs that would become payable by the Borrower under the Issuer/Borrower Loan Agreement if that Cure Deposit were to be applied in mandatory prepayment of the Issuer/Borrower Loans on the next Test Date (the **Estimated Associated Prepayment Costs**),

by the Relevant Mezzanine Cure Loan Noteholders in payment to the Cure Account.

**Mezzanine Cure Notification** has the meaning given to it in the section "*Mezzanine Loan Noteholder Cures – Cure*" below.

**Mezzanine Discharge Date** means the first date on which all Mezzanine Liabilities have been fully and finally discharged to the satisfaction of the Mezzanine Agent (acting on the instructions of the Mezzanine Issuer and, to the extent that any Mezzanine Cure Loan Notes are outstanding at that time, the Mezzanine Cure Loan Noteholders holding those Mezzanine Cure Loan Notes) whether or not as a result of an enforcement, and the Mezzanine Finance Parties are under no further obligation to provide financial accommodation to the Mezzanine Obligors under the Mezzanine Finance Documents.

**Mezzanine Enforcement Action** means:

- (a) in relation to any Mezzanine Liabilities:
  - (i) the acceleration of any Mezzanine Liabilities or the making of any declaration that any Mezzanine Liabilities are prematurely due and payable;
  - (ii) the making of any declaration that any Mezzanine Liabilities are payable on demand;
  - (iii) the making of a demand in relation to a Mezzanine Liability that is payable on demand;
- (b) the making of any demand against any Mezzanine Obligor;
  - (i) the exercise of any right to require any Mezzanine Obligor to acquire any Mezzanine Liability; and
  - (ii) the suing for, commencing or joining of any legal or arbitration proceedings against any Mezzanine Obligor to recover any Mezzanine Liabilities;
- (c) the taking of any steps to enforce or require the enforcement of any Mezzanine Only Security (including the crystallisation of any floating charge forming part of the Mezzanine Only Security);
- (d) the exercise of any right of set-off, account combination or payment netting against any Mezzanine Obligor in respect of any Mezzanine Liabilities;
- (e) the entering into of any composition, compromise, assignment or arrangement with any Mezzanine Obligor which owes any Mezzanine Liabilities, or has given any Security Interest, guarantee or indemnity or other assurance against loss in respect of the Mezzanine Liabilities; or
- (f) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any Mezzanine Obligor which owes any Mezzanine Liabilities, or has given any Security Interest, guarantee, indemnity or other

assurance against loss in respect of any of the Mezzanine Liabilities, or any of such Mezzanine Obligor's assets or any suspension of payments or moratorium of any indebtedness of any such Mezzanine Obligor, or any analogous procedure or step in any jurisdiction.

**Mezzanine Holdco Intercompany Loan** means a loan or other indebtedness advanced to the Mezzanine Loan Note Issuer by Mezzanine Holdco under a Mezzanine Holdco Intercompany Loan Agreement or otherwise.

**Mezzanine Holdco Intercompany Loan Agreement** means any intercompany loan or other indebtedness agreement or instrument between the Mezzanine Loan Note Issuer as borrower and Mezzanine Holdco as lender.

**Mezzanine Holdco Liabilities** means all Liabilities owed by the Mezzanine Loan Note Issuer to Mezzanine Holdco under any Mezzanine Holdco Intercompany Loan or otherwise.

**Mezzanine Intention Notice** has the meaning given to it under the heading "*Enforcement action – Obligor Transaction Security – Manner of enforcement*".

**Mezzanine Instructing Group** means:

- (a) at any time prior to the Mezzanine Issuer Discharge Date, the Mezzanine Issuer; and
- (b) thereafter, to the extent that Mezzanine Liabilities are owed to any Mezzanine Cure Loan Noteholders, all the Mezzanine Cure Loan Noteholders.

**Mezzanine Issuer Discharge Date** means the first date on which all Mezzanine Liabilities owed to the Mezzanine Issuer have been fully and finally discharged to the satisfaction of the Mezzanine Agent (acting on the instructions of the Mezzanine Issuer), whether or not as a result of an enforcement, and the Mezzanine Issuer is under no further obligation to provide financial accommodation to the Mezzanine Obligors under the Mezzanine Finance Documents.

**Mezzanine Liabilities** means the Liabilities owed by the Debtors to the Mezzanine Finance Parties under or in connection with the Mezzanine Finance Documents.

**Mezzanine Loan Note Issuer Intercompany Loan** means a loan or other indebtedness advanced to the Borrower Holdco by the Mezzanine Loan Note Issuer under a Mezzanine Loan Note Issuer Intercompany Loan Agreement or otherwise.

**Mezzanine Loan Note Issuer Intercompany Loan Agreement** means any intercompany loan or other indebtedness agreement or instrument between the Borrower Holdco as borrower and the Mezzanine Loan Note Issuer as lender.

**Mezzanine Loan Note Issuer Liabilities** means all Liabilities owed by the Borrower Holdco to the Mezzanine Loan Note Issuer under any Mezzanine Loan Note Issuer Intercompany Loan or otherwise.

**Mezzanine Noteholder** means a holder from time to time of Mezzanine Notes.

**Mezzanine Noteholder Affiliate** means any Mezzanine Noteholder, any of its Affiliates or, where a Mezzanine Noteholder is a fund, any fund which is a Related Fund of that Mezzanine Noteholder.



**Mezzanine Only Security** for the purposes of the Intercreditor Agreement, means the Security Interests created or expressed to be created under or pursuant to the Mezzanine Only Security Documents (as defined in the Intercreditor Agreement).

**Mezzanine Only Security Document** for the purposes of the Intercreditor Agreement means:

- (a) the Mezzanine Deed of Charge;
- (b) a Mezzanine Luxembourg Security Document; or
- (c) any other document designated as such by the Mezzanine Security Trustee and the Mezzanine Loan Note Issuer provided that the Issuer has provided its prior written consent to such designation.

**Mezzanine Rate of Interest** means the rate of interest payable in respect of the Mezzanine Loan Notes as described in the section "*Overview of certain other Obligor Transaction Documents – Mezzanine Loan Note Agreement– Payment of Interest*".

**Mezzanine Shareholder Intercompany Loan** means a loan or other indebtedness advanced to Mezzanine Holdco by the Mezzanine Shareholder under a Mezzanine Shareholder Intercompany Loan Agreement or otherwise.

**Mezzanine Shareholder Intercompany Loan Agreement** means any intercompany loan agreement between Mezzanine Holdco as debtor and the Mezzanine Shareholder as creditor.

**Mezzanine Shareholder Liabilities** means all Liabilities owed by the Mezzanine Holdco to the Mezzanine Shareholder under any Mezzanine Shareholder Intercompany Loan or otherwise.

**New Mezzanine Permitted Financial Indebtedness** means New Mezzanine Financial Indebtedness in respect of which the conditions set out in paragraphs (a) to (o) of the definition of New Mezzanine Financial Indebtedness have been satisfied.

**New Permitted Financial Indebtedness** means New Financial Indebtedness in respect of which the conditions set out in paragraph j of the definition of Permitted Financial Indebtedness have been satisfied.

**Obligor Secured Debt Documents** means the Finance Documents and the Mezzanine Finance Documents.

**Original Debtor** means the Mezzanine Holdco, the Mezzanine Loan Note Issuer, the Borrower Holdco, the Borrower, a Propco, a Management Company or an Obligor Holdco.

**Other Liabilities** means, in relation to a member of the Larger Group, any trading and other liabilities and obligations (not being Borrowing Liabilities or Guarantee Liabilities) it may have to an Intercreditor Finance Party under the Debt Documents or to a Debtor.

**Payment** means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

**Payment Default Cure Payment** means a payment by the applicable Mezzanine Cure Loan Noteholders in an amount equal to such amount as remains due and payable to the Finance Parties by the Debtors to the Rent Accounts on a pro rata basis (if no alternative account is specified by the Issuer).

**Payment Stop Event** means:

- (a) a Material Trigger Event has occurred and is continuing; or
- (b) the commencement of Enforcement Action by any Finance Party in accordance with the terms of the Intercreditor Agreement.

**Permitted Payment** means any Payment that is permitted under the terms of the Intercreditor Agreement.

**Primary Finance Parties** means the Finance Parties and the Mezzanine Finance Parties.

**Protective Enforcement Action** means the taking of any Enforcement Action:

- (a) to crystallise any floating charge forming part of any Security Interest; and/or
- (b) to the extent that any Common Insolvency Event is continuing in respect of an Obligor, to exercise any right a Finance Party may otherwise have in respect of that Obligor to:
  - (i) accelerate any of the Senior Loan Liabilities or declare them prematurely due and payable on demand;
  - (ii) terminate or close out any transaction in respect of any Hedging Agreement (in whole or in part);
  - (iii) make a demand under any guarantee, indemnity or other assurance against loss given by that Obligor or in respect of any Senior Liabilities;
  - (iv) exercise any right of set off in respect of any Senior Liabilities of that Obligor; or
  - (v) claim and prove in the liquidation of that Obligor for the Senior Liabilities owing to it.

**Purchase Event** means:

- (a) the occurrence of a Payment Default which is continuing;
- (b) the occurrence of an Insolvency Event of Default which is continuing; or
- (c) the service by the Obligor Security Trustee of a Mezzanine Intention Notice in accordance with the Intercreditor Agreement.

**Purchasing Party** means any Mezzanine Loan Noteholder, any Mezzanine Noteholder or any Mezzanine Noteholder Affiliate identified in any Senior Purchase Notice (as defined in the section "*Purchase Option*" below).

**Rating Agency** for the purposes of the Intercreditor Agreement and with respect to the Notes, has the meaning given to it in the Issuer/Borrower Loan Agreement and, with respect to any rating agency appointed with respect to the Mezzanine Notes, has the meaning given to it in the Mezzanine Loan Note Agreement.

**Related Fund** in relation to a fund (the **first fund**), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

**Senior Credit Participation** means, in relation to the Issuer or a Hedge Counterparty, the aggregate of:

- (a) its aggregate participation in the Issuer/Borrower Loans, if any;
- (b) in respect of any hedging transaction of that Hedge Counterparty under any Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the Intercreditor Agreement and the Issuer/Borrower Loan Agreement, the amount, if any, payable to that Hedge Counterparty under any Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement); and
- (c) after the Senior Loan Discharge Date only, in respect of any hedging transaction of that Hedge Counterparty under any Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out, the amount, if any, which would be payable to that Hedge Counterparty under that Hedging Agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be an "Early Termination Date" (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the "Defaulting Party" (as defined in the relevant ISDA Master Agreement), that amount, to be certified by that Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement.

**Senior Discharge Date** means the first date on which all Senior Liabilities have been fully and finally discharged to the satisfaction of the Issuer and, to the extent that any Hedge Counterparty is a party to the Intercreditor Agreement, each such Hedge Counterparty (in the case of its Hedging Liabilities) whether or not as the result of an enforcement, and the Finance Parties are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

**Senior Liabilities** means the Senior Loan Liabilities and any Hedging Liabilities.

**Senior Loan Discharge Date** means the first date on which all Senior Loan Liabilities have been fully and finally discharged to the satisfaction of the Issuer whether or not as the result of an enforcement, and the Finance Parties are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

**Senior Loan Liabilities** means the Liabilities owed by the Debtors to the Finance Parties under the Finance Documents.

**Senior Loan Purchase Amount** means, at the time of calculation, the aggregate of:

- (a) the principal amount of the Issuer/Borrower Loans then outstanding;
- (b) accrued unpaid interest on the Issuer/Borrower Loans which would be due from the Obligors under the Issuer/Borrower Loan Agreement if the Issuer/Borrower Loans were prepaid in full on the Senior Purchase Completion Date;
- (c) any unpaid fees (including any prepayment fees that have become due and payable prior to the Senior Purchase Completion Date but remain unpaid), costs and expenses properly incurred under the Finance Documents which are payable to the Issuer as at the Senior Purchase Completion Date;

- (d) any Repayment Costs and Break Costs (each as defined in the Issuer/Borrower Loan Agreement) which would be payable under the Issuer/Borrower Loan Agreement as if the Issuer/Borrower Loans had been repaid in full on the Senior Purchase Completion Date (excluding any prepayment fees (if any) that would arise under the Issuer/Borrower Loan Agreement or the Notes if the Issuer/Borrower Loans were repaid in full on the Senior Purchase Completion Date); and
- (e) any properly incurred fees, costs and expenses incurred by the Finance Parties in connection with the transfer of the Senior Loan Liabilities contemplated by the Intercreditor Agreement.

**Senior Purchase Amount** means the aggregate of the Senior Loan Purchase Amount and the Hedging Purchase/Termination Amount.

**Subordinated Finance Party** means an Intra-Group Lender, the Mezzanine Loan Note Issuer (in its capacity as lender under any Mezzanine Loan Note Issuer Intercompany Loan), the Mezzanine Holdco (in its capacity as lender under any Mezzanine Holdco Intercompany Loan) or the Mezzanine Shareholder (in its capacity as lender under any Mezzanine Shareholder Intercompany Loan).

**Subordinated Liabilities** means the Intra-Group Liabilities, the Mezzanine Loan Note Issuer Liabilities, the Mezzanine Holdco Liabilities and the Mezzanine Shareholder Liabilities.

## ***RANKING***

Pursuant to the terms of the Intercreditor Agreement (and where Scottish assets are included in the Property Portfolio, any related Scottish law ranking agreement), the liabilities owed by the Debtors to the Primary Finance Parties rank in right and priority of payment in the following order and are subordinated to any prior ranking Liabilities as follows:

- (a) *first*, the Senior Liabilities (including, for the avoidance of doubt, any Hedging Liabilities) *pari passu* and without any preference between them; and
- (b) *second*, the Mezzanine Liabilities.

The Subordinated Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Finance Parties, but the Intercreditor Agreement does not purport to rank any of the Subordinated Liabilities as between themselves.

## ***AMENDMENTS AND WAIVERS***

### ***Senior Loan Finance Parties***

Except (a) with the prior consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group); (b) in respect of any New Permitted Financial Indebtedness; or (c) for any amendment, waiver or consent required in order to give effect to any condition relating to New Mezzanine Permitted Financial Indebtedness, the Finance Parties are not permitted to amend, consent to or waive certain specific term of the Finance Documents that would:

- (a) increase the Interest Rate or provide for the inclusion of an additional margin or rate (except to the extent that such increase or addition is contemplated by the Finance Documents or does not change the total amount of interest payable or is in respect of any New Permitted Financial Indebtedness);

- (b) change the basis on which interest, fees or commission accrue, are calculated, or are payable, unless the relevant change: (i) is contemplated by the Finance Documents; (ii) is minor or administrative and not prejudicial to the Mezzanine Loan Noteholders; (iii) does not increase the overall cost to the Obligor of the Senior Loan Liabilities; (iv) relates to reasonable fees or charges charged in connection with requests for amendments, waivers or consents under the Finance Documents; (v) relates to fees or commission paid to the Obligor Security Trustee in respect of its role as security agent or trustee for the Obligor Secured Creditor or the Issuer Secured Creditors in respect of their respective roles and any increase is reasonable; (vi) relates to listing or rating agency fees, costs or expenses; or (vii) is required to effect New Permitted Financial Indebtedness;
- (c) increase the overall cost to the Obligor of the Senior Loan Liabilities (other than as contemplated in the Issuer/Borrower Loan Agreement) unless the relevant change: (i) relates to reasonable fees or charges in respect of requests for amendments, waivers or consents under the Finance Documents; (ii) relates to the fees or commission paid to the Obligor Security Trustee in respect of its role as security agent or trustee for the Obligor Secured Creditors or the Issuer Secured Creditors in respect of their respective roles and any increase is reasonable; (iii) relates to listing or rating agency fees, costs or expenses; or (iv) is required to effect New Permitted Financial Indebtedness;
- (d) effect an increase in the principal amount of the Issuer/Borrower Loan Agreement (except New Permitted Financial Indebtedness or an application in or towards the payment or discharge of costs, fees or expenses incurred as a result of Enforcement Action in relation to any Obligor under the Finance Documents);
- (e) shorten the term of any Issuer/Borrower Loans or Issuer/Borrower Facility provided under the Issuer/Borrower Loan Agreement to a date falling on or before the date that is six months after the final maturity date of the Initial Mezzanine Loan Note;
- (f) change the currency of any amount payable under the Finance Documents;
- (g) subject to paragraph (e) above, make any payments of principal or interest under the Finance Documents payable on an earlier date than that specified in the Finance Documents (including any change to the definition of the term "Loan Interest Period");
- (h) cause existing financial covenants contained in the Issuer/Borrower Loan Agreement to be more onerous on the Obligor or introduce new financial covenants to the Issuer/Borrower Loan Agreement;
- (i) change the definitions of "Material Trigger Event" or "Trigger Event" or any defined term used in those definitions in a manner which, in the opinion of the Obligor Security Trustee (acting reasonably), would be prejudicial to the Mezzanine Loan Noteholders or the inclusion of any additional material trigger events or trigger events in the Issuer/Borrower Loan Agreement;
- (j) change the definition of "Obligor Event of Default" or "Default" or "Potential Event of Default" in the Finance Documents which has the effect of making the Finance Documents more onerous for the Obligor or the inclusion of any additional events of default in the Issuer/Borrower Loan Agreement;
- (k) change the provisions relating to hedging under the Issuer/Borrower Loan Agreement;

- (l) change or grant consent in relation to:
  - (i) clause 20.7(b) and (c) (Financial Indebtedness) of the Issuer/Borrower Loan Agreement or the definition of "*New Financial Indebtedness*" in the Issuer/Borrower Loan Agreement;
  - (ii) clause 20.7(a) (Financial Indebtedness) of the Issuer/Borrower Loan Agreement or the definition of "*Permitted Financial Indebtedness*" in the Issuer/Borrower Loan Agreement in a manner which, in the opinion of the Obligor Security Trustee (acting reasonably), would be prejudicial to the interests of the Mezzanine Loan Noteholders;
  - (iii) the definition of "*Senior Required Redemption Amount*" in the Issuer/Borrower Loan Agreement, except that the Finance Parties may agree to reduce the Senior Required Redemption Amount;
  - (iv) any of the definitions of "*Excluded Insurance Proceeds*" or "*Excluded Recovery Proceeds*" in the Issuer/Borrower Loan Agreement;
  - (v) the definitions of "*Mezzanine Redemption Amount*" or "*Net Senior Debt*" in the Issuer/Borrower Loan Agreement;
  - (vi) the definitions of "*Property Portfolio Criteria*" or "*Incoming Property Criteria*" in the Issuer/Borrower Loan Agreement;
  - (vii) the restrictions on as purchasing the Notes imposed on Obligors under the Issuer/Borrower Loan Agreement;
- (m) change, or grant consent to an amendment to, the provisions governing "*Permitted Payments*", "*Permitted Share Issuances*" or "*Permitted Administrative Costs*" as defined in the Issuer/Borrower Loan Agreement in a manner which, in the opinion of the Obligor Security Trustee (acting reasonably), would be prejudicial to the interests of the Mezzanine Loan Noteholders or which has the effect of prohibiting or restricting the ability of an Obligor to make or effect a Permitted Payment or a Permitted Share Issuance;
- (n) change or grant consent in relation to the definitions of "*Borrower Payment Priorities*", "*Borrower Pre-Enforcement Pre-Acceleration Payment Priorities*", "*Borrower Post-Enforcement Pre-Acceleration Payment Priorities*" or "*Borrower Post-Enforcement Post-Acceleration Payment Priorities*" in the Issuer/Borrower Loan Agreement or the schedule in the Issuer/Borrower Loan Agreement setting out those payment priorities in a manner which, in the opinion of the Obligor Security Trustee (acting reasonably), would be prejudicial to the interests of the Mezzanine Loan Noteholders;
- (o) change or grant consent in relation to provision relating to valuations in the Issuer/Borrower Loan Agreement or the definitions of "*Valuer*" or "*Valuation*" in the Issuer/Borrower Loan Agreement in a manner which, in the opinion of the Obligor Security Trustee (acting reasonably), would be prejudicial to the interest of the Mezzanine Loan Noteholders;
- (p) change or grant a consent in relation to the definition of "*Permitted Disposal*" in the Issuer/Borrower Loan Agreement or the undertaking relating to disposals the Issuer/Borrower Loan Agreement which would make those provisions more onerous for the Obligors;

- (q) change the financial covenant cure rights under the Issuer/Borrower Loan Agreement or the definition of "Associated Prepayment Costs" in the Issuer/Borrower Loan Agreement or affect the treatment of any money provided for the purposes of a cure;
- (r) change, or grant consent to an amendment to, the provisions governing insurances in the Issuer/Borrower Loan Agreement to make the terms and conditions to the insurance less onerous for the Obligor;
- (s) have the effect of changing the negative pledge or the provisions restricting the payments of dividends or other distributions in the Issuer/Borrower Loan Agreement;
- (t) release any Obligor Transaction Security other than as expressly permitted pursuant to the terms of the Issuer/Borrower Loan Agreement or the Intercreditor Agreement;
- (u) amend or waive or provide a consent in respect of clause 7.3(a), (g) or (h) (Application of certain mandatory prepayments) or the bank accounts clause under the Issuer/Borrower Loan Agreement unless it is a minor or administrative change or correction which, in the opinion of the Obligor Security Trustee (acting reasonably), is not prejudicial to the Mezzanine Loan Noteholders;
- (v) result in a cross default of the Senior Liabilities to any default under any Mezzanine Liabilities or subordination of the Senior Liabilities to any other indebtedness;
- (w) without prejudice to any permitted Distressed Disposals and Appropriations, release, waive or compromise any Mezzanine Loan Note Issuer Liabilities; and
- (x) without prejudice to any permitted Distressed Disposals and Appropriations amend, consent to or waive the terms of the Finance Documents if the amendment, consent or waiver (i) would have the effect of changing, or relates to, the nature or scope of the guarantee and indemnity granted under the Issuer/Borrower Loan Agreement; or (ii) relates to the release of any guarantee and indemnity granted under the Issuer/Borrower Loan Agreement unless expressly permitted by the Issuer/Borrower Loan Agreement.

#### *Deemed consent – Finance Documents*

Consent, in respect of a request relating to an amendment, consent or waiver of the Finance Documents, will be deemed to have been given by the Mezzanine Agent and the Mezzanine Instructing Group if the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group) fails to vote in respect of such a request for consent within ten Intercreditor Business Days (or such longer time period as the Issuer may agree in relation to any request) of such request being made.

#### *Control Valuation Event – Finance Documents*

Subject as described below, the Mezzanine Finance Parties will cease to have any consent rights in respect of amendments, waivers or consents under the Finance Documents at any time the aggregate market value of the Properties (by reference to the most recent Valuation or, if permitted, a valuation requested under the Mezzanine Loan Note Agreement) is less than 106 per cent. of the Net Senior Debt (as defined in the Issuer/Borrower Loan Agreement) (a **Control Valuation Event**) except that no amendment, consent or waiver may be made in respect of the matters referred to in subparagraph (n) under the heading "*Amendments and Waivers– Senior Loan Finance Parties*" above at any time a Control Valuation Event is continuing without the consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group) that would prejudice the

entitlement of the Mezzanine Finance Parties under the Finance Documents (to the extent that such entitlement exists immediately prior to the occurrence of the relevant Control Valuation Event) to:

- (a) any surplus cash generated by the Obligor Group that is not required pursuant to the terms of the Finance Documents in the form existing immediately prior to the occurrence of the relevant Control Valuation Event to be used or retained by the Obligors in each case for the purposes of the operation of the business of the Group or in order to discharge the Senior Liabilities in full (such cash being **Surplus Cash**) as a Permitted Payment or via the proceeds of a Permitted Share Issuance (each as defined in the Issuer/Borrower Loan Agreement) for application against the Mezzanine Liabilities; and
- (b) Permitted Mezzanine Administrative Costs as defined in the Issuer/Borrower Loan Agreement in its original form (or as amended from time to time with the consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group)).

The Primary Finance Parties acknowledge under the Intercreditor Agreement that: (A) the Senior Liabilities may be increased at any time a Control Valuation Event is continuing without the consent of the Mezzanine Finance Parties; (B) without prejudice to the right of the Mezzanine Loan Note Issuer to receive Permitted Mezzanine Administrative Costs, at any time a Payment Stop Notice is outstanding Surplus Cash will not be distributed by way of Permitted Payment or Permitted Share Issuance from the Borrower Holdco to the Mezzanine Loan Note Issuer; and (C) notwithstanding the occurrence of a Control Valuation Event, Permitted Mezzanine Administrative Costs will continue to be distributed to the Mezzanine Loan Note Issuer.

On the occurrence of a Control Valuation Event, if the Mezzanine Cure Loan Noteholders are entitled to provide a Control Valuation Event Cure Payment in respect of that Control Valuation Event, the Senior Finance Parties will not be entitled to amend, waive or provide any consent in respect of the Finance Documents that would otherwise require the consent of the Mezzanine Agent (acting on the instructions Mezzanine Instructing Group) in the period from the date of the occurrence of that Control Valuation Event to the earliest of:

- (a) the expiry of the Control Valuation Event Cure Election Period in respect of that Control Valuation Event if no Mezzanine Cure Notification is delivered within that Control Valuation Event Cure Election Period in accordance with the Intercreditor Agreement;
- (b) if a Mezzanine Cure Notification is delivered within the applicable Control Valuation Event Cure Election Period, the expiry of applicable Grace Period in respect of that Control Valuation Event (and the Finance Parties will only be entitled to amend, waive or grant a consent in respect of the Finance Documents without the consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group) in accordance with provisions described above to the extent that the relevant Control Valuation Event has not been remedied on the expiry of the applicable Grace Period); and
- (c) the date on which the Mezzanine Agent (on behalf of the Mezzanine Cure Loan Noteholders) notifies the Issuer that the Mezzanine Cure Loan Noteholders do not intend to exercise their rights in respect of that Control Valuation Event,

unless the prior consent of the Mezzanine Agent (acting on the instructions of the Mezzanine Instructing Group) is obtained.

#### *Mezzanine Finance Parties*

Prior to the Senior Discharge Date, except (a) with the prior consent of the Issuer; (b) in respect of any New Mezzanine Permitted Financial Indebtedness; or (c) for any amendment, waiver or consent



required in order to give effect to any condition relating to New Permitted Financial Indebtedness, the Mezzanine Finance Parties are not permitted to amend, consent to or waive certain specific terms of the Mezzanine Finance Documents that would:

- (a) increase the Mezzanine Rate of Interest or provide for an additional margin to be payable or change the interest provision from pay-if-you-can to cash-pay (except to the extent that such increase or addition is contemplated by the Mezzanine Finance Documents or is in respect of any New Mezzanine Permitted Financial Indebtedness);
- (b) change the basis on which interest, fees or commission accrue, are calculated or are payable under the Mezzanine Loan Note Agreement, unless the relevant change (i) is contemplated by the Mezzanine Finance Documents; (ii) is solely to convert cash pay interest to capitalised interest; (iii) is minor or administrative and not prejudicial to the Issuer; (iv) does not increase the overall cost to the Mezzanine Obligors of the Mezzanine Liabilities; (v) relates to reasonable fees or charges charged in connection with amendment, waiver or consent requests; (vi) relates to fees or commission paid to the Mezzanine Agent or the Mezzanine Security Trustee in respect of its role as agent for the Mezzanine Finance Parties or the Mezzanine Secured Parties or the Mezzanine Issuer Secured Creditors in respect of their respective roles and any increase is reasonable; (vii) relates to listing or rating agency fees, costs or expenses; or (viii) is required to effect New Mezzanine Permitted Financial Indebtedness;
- (c) increase the overall cost to the Mezzanine Obligors of the Mezzanine Liabilities (other than as contemplated in the Mezzanine Loan Note Agreement) unless the relevant change: (i) relates to reasonable fees or charges in respect of requests for amendments, waivers or consents under the Mezzanine Finance Documents; (ii) relates to the fees or commission paid to the Mezzanine Agent or the Mezzanine Security Trustee in respect of its role as agent for the Mezzanine Finance Parties or the Mezzanine Secured Parties or the Mezzanine Issuer Secured Creditors in respect of their respective roles and any increase is reasonable; (iii) relates to listing or rating agency fees, costs or expenses; (iii) is required to effect New Mezzanine Permitted Financial Indebtedness;
- (d) change the currency of any amount payable under the Mezzanine Finance Documents;
- (e) shorten the term of the Mezzanine Loan Notes;
- (f) make any payments of principal or interest under the Mezzanine Finance Documents payable on an earlier date than that specified in the Mezzanine Finance Documents (including any change to the definition of the term " Mezzanine Loan Note Interest Period");
- (g) increase the principal amount of the Mezzanine Loan Notes or the issue of further Mezzanine Loan Notes other than (i) the making of a Cure; (ii) an application in or towards the payment or discharge of costs, fees or expenses incurred as a result of a Mezzanine Enforcement Action in relation to any Mezzanine Obligor under the Mezzanine Finance Documents; or (iii) New Mezzanine Permitted Financial Indebtedness;
- (h) cause existing financial covenants contained in the Mezzanine Loan Note Agreement to be more onerous on the Mezzanine Obligors or introduce new financial covenants to the Mezzanine Loan Note Agreement;
- (i) change the definitions of "Senior Trigger Event" (which is the equivalent of Trigger Event as defined in this Prospectus) or " Trigger Event" (which is the equivalent of Mezzanine Trigger Event as defined in this Prospectus) or any defined term used therein in any manner that would be prejudicial to the interest of the Issuer or the inclusion of any additional trigger

events in the Issuer/Borrower Loan Agreement or trigger events in the Mezzanine Loan Note Agreement;

- (j) change the definitions of "Mezzanine Event of Default" or "Default" or "Potential Mezzanine Event of Default" in the Mezzanine Finance Documents which has the effect of making the Mezzanine Finance Documents more onerous for the Mezzanine Obligors or the inclusion of any additional events of default in the Mezzanine Loan Note Agreement;
- (k) change or grant consent in relation to:
  - (i) paragraph (a) of clause 20.7 (Financial Indebtedness) of the Mezzanine Loan Note Agreement or the definition of "*Permitted Financial Indebtedness*" in the Mezzanine Loan Note Agreement in a manner which would be prejudicial to the interests of the Issuer;
  - (ii) the definitions of "*Senior Required Redemption Amount*" or "*Mezzanine Required Redemption Amount*" in the Mezzanine Loan Note Agreement;
  - (iii) clause 20.7(b) or (c) (Financial Indebtedness) of the Mezzanine Loan Note Agreement or the definition of "*New Financial Indebtedness*" in the Mezzanine Loan Note Agreement (which is the equivalent of New Mezzanine Financial Indebtedness as defined in this Prospectus);
  - (iv) any of the definitions of "*Excluded Insurance Proceeds*" or "*Excluded Recovery Proceeds*" in the Mezzanine Loan Note Agreement;
  - (v) the definition of "*Property Portfolio Criteria*" and "*Incoming Property Criteria*" in the Mezzanine Loan Note Agreement;
  - (vi) the restrictions on Mezzanine Obligors and the Obligors purchasing the Mezzanine Note under the Mezzanine Loan Note Agreement;
- (l) changing or granting a consent in relation to the definition of "*Permitted Disposal*" in the Mezzanine Loan Note Agreement or the undertaking relating to disposals in the Mezzanine Loan Note Agreement which would make those provisions more onerous for the Mezzanine Obligors;
- (m) change or grant consent in relation to provision on valuations in the Mezzanine Loan Note Agreement or the definitions of "Valuer" or "Valuation" in the Mezzanine Loan Note Agreement in a manner which would be prejudicial to the interest of the Issuer;
- (n) change the definition of "*Mezzanine Cure Loan Note*" in the Mezzanine Loan Note Agreement or change the financial covenant cure rights in the Mezzanine Loan Note Agreement or affect the treatment of any money provided for the purposes of a cure;
- (o) change, or grant consent to an amendment to, the provisions governing insurances in the Mezzanine Loan Note Agreement to make the terms and conditions to the insurance less onerous for the Mezzanine Obligors;
- (p) have the effect of changing the negative pledge or the provisions restricting the payments of dividends or other distributions in the Mezzanine Loan Note Agreement; or
- (q) amend or waive or provide a consent in respect of clause 7.3 (Application of certain mandatory prepayments) of the Mezzanine Loan Note Agreement or the bank accounts

clause under the Mezzanine Loan Note Agreement unless it is a minor or administrative change or correction which is not prejudicial to the Issuer.

#### *Deemed consent – Mezzanine Finance Documents*

Consent, in respect of a request regarding an amendment, consent or waiver of the Mezzanine Finance Documents, will be deemed to have been given by the Issuer if the Issuer fails to vote in respect of such request for consent within ten Intercreditor Business Days (or such longer time period as the Mezzanine Instructing Group may agree in relation to any request) of such request being made.

#### *Deemed amendment to Mezzanine Finance Documents*

If any amendment is made to clause 14 (Bank Accounts) of the Issuer/Borrower Loan Agreement at any time when a Control Valuation Event is continuing or is a minor or administrative correction which is not prejudicial to the Mezzanine Loan Noteholders, each Mezzanine Finance Party, each Mezzanine Obligor and each Obligor agree that, provided the Finance Parties comply with their obligations as described in the section "*Control Valuation Event – Finance Documents*" above, equivalent changes will be deemed to be made to the Mezzanine Finance Documents.

### **PAYMENT RESTRICTIONS**

#### ***RESTRICTIONS ON PAYMENT***

Prior to the Senior Discharge Date, the Mezzanine Shareholder, the Mezzanine Holdco, the Mezzanine Loan Note Issuer and the Debtors agree, pursuant to the terms of the Intercreditor Agreement, that they shall not, and shall procure that no other member of the Larger Group will, make any Payment of the Mezzanine Liabilities at any time unless the taking or receipt of that Payment is permitted pursuant to the terms of the Intercreditor Agreement (as described in "*Payment restrictions – Mezzanine Liabilities – Mezzanine Permitted Payment*" below).

The Debtors agree pursuant to the terms of the Intercreditor Agreement that they shall not, and shall procure that no member of the Larger Group will, make any Payment of the Hedging Liabilities (if any) at any time unless that Payment is permitted pursuant to the terms of the Intercreditor Agreement (as described in "*Payment restrictions – Hedging Liabilities – Hedging Permitted Payment*" below).

Pursuant to the terms of the Intercreditor Agreement, prior to the latest to occur of the Senior Discharge Date and the Mezzanine Discharge Date (the **Final Discharge Date**):

- (a) no Debtor shall, and shall procure that no other member of the Larger Group will, make any Payments of the Intra-Group Liabilities;
- (b) no Obligor shall, and shall procure that no member of the Larger Group shall, make any Payment of the Mezzanine Loan Note Issuer Liabilities;
- (c) the Mezzanine Loan Note Issuer shall not, and shall procure that no other member of the Larger Group will, make any Payment of the Mezzanine Holdco Liabilities; and
- (d) the Mezzanine Holdco shall not, and shall procure that no other member of the Larger Group will, make any Payment of the Mezzanine Shareholder Liabilities,

at any time, unless at any time that Payment is permitted pursuant to the terms of the Intercreditor Agreement (each as described in this section below).

## ***MEZZANINE LIABILITIES***

### *Mezzanine Permitted Payment*

Prior to the Senior Discharge Date, the Mezzanine Loan Note Issuer may, pursuant to the terms of the Intercreditor Agreement, only make a Payment to the Mezzanine Finance Parties in respect of the Mezzanine Liabilities then due in accordance with the Mezzanine Loan Note Agreement:

- (a) to the extent that the Payment is a "*Permitted Payment*" for the purposes of paragraph (c) of the definition of "*Permitted Payment*" in the Issuer/Borrower Loan Agreement; or
- (b) to the extent that the proceeds of that Payment originated from a person other than a member of the Larger Group and are applied for the purposes of discharging:
  - (i) interest that is due and payable under clause 8.2 (Payment of interest) under the Mezzanine Loan Note Agreement; or
  - (ii) any amount that is due and payable under clauses 7.2(a) (Mandatory prepayment – change of control), 7.2(b) (Mandatory prepayment – illegality) and/or 7.2(c) (Mandatory prepayment for withholding on Notes) of the Mezzanine Loan Note Agreement; or
- (c) if no Payment Stop Notice is outstanding, to the extent that the proceeds of that Payment originated from a person other than a member of the Larger Group.

### *Payment Stop Notice*

Following the occurrence of a Payment Stop Event which is continuing, the Issuer may issue a notice (a **Payment Stop Notice**) to the Mezzanine Agent (with a copy to the Obligor Security Trustee, the Mezzanine Loan Note Issuer and the Borrower) advising that a Payment Stop Event has occurred and is continuing and notifying it that any Payment of the Mezzanine Liabilities (other than the payment of Permitted Mezzanine Administrative Costs or any Payment as described in paragraph (b) in the section "*Payment Restrictions – Mezzanine Permitted Payment*" above) are suspended until the first to occur of:

- (a) the date on which the relevant Payment Stop Event in respect of which the Payment Stop Notice was issued is no longer continuing;
- (b) the date on which the Issuer cancels the Payment Stop Notice by notice to the Mezzanine Agent (with a copy to the Obligor Security Trustee, the Mezzanine Loan Note Issuer and the Borrower); and
- (c) the Senior Discharge Date.

The Issuer may not issue a Payment Stop Notice: (A) in reliance on a particular Payment Stop Event more than six months after the Issuer receives a notice advising of the occurrence of that Payment Stop Event, or (B) more than once in respect of the same event.

### *Effect of Payment Stop Notice*

Any failure to make a Payment under the Mezzanine Finance Documents as a result of a Payment Stop Notice shall not prevent:

- (a) the occurrence of an event of default under the Mezzanine Loan Note Agreement (**Mezzanine Event of Default**) as a consequence of failure to make a Payment in relation to the Mezzanine Loan Note Agreement (unless otherwise cured);
- (b) the delivery of a Mezzanine Cure Notification (as described in "*Mezzanine Loan Noteholder Cures – Cure*" below); or
- (c) the issue of a Senior Purchase Notice (as described in "*Purchase Option*" below) on behalf of a Mezzanine Finance Party; or
- (d) the issue of an Acquisition Notification (as described in "*Enforcement Of Mezzanine Only Security/Obligor Event Of Default*" below) on behalf of a Mezzanine Finance Party.

### **HEDGING LIABILITIES**

#### *Hedging Permitted Payment*

The Hedge Counterparties and the Obligors can enter into Hedging Agreements provided the Hedging Agreement complies with the Issuer/Borrower Loan Agreement and is entered into in connection with New Permitted Financial Indebtedness.

The Obligors may make Payments to the Hedge Counterparties in respect of the Hedging Liabilities in accordance with the terms of the applicable Hedging Agreement and the Issuer/Borrower Loan Agreement.

### **INTRA-GROUP LIABILITIES**

Prior to the Final Discharge Date, the Obligors may only make Payments in respect of the Intra-Group Liabilities if that Payment is a "*Permitted Payment*" for the purposes of paragraphs (a), (b) or (c) of the definition of "*Permitted Payment*" in the Issuer/Borrower Loan Agreement.

### **MEZZANINE LOAN NOTE ISSUER LIABILITIES**

Prior to the Final Discharge Date, the Obligors shall only, and shall procure that no member of the Larger Group shall otherwise, make Payments in respect of the Mezzanine Loan Note Issuer Liabilities then due and payable, if that Payment is a "*Permitted Payment*" for the purposes of paragraph (c) of the definition of "*Permitted Payment*" in the Issuer/Borrower Loan Agreement.

### **MEZZANINE HOLDCO LIABILITIES**

Prior to the Final Discharge Date, the Mezzanine Shareholder and the Mezzanine Obligors shall only, and shall procure that no member of the Larger Group shall otherwise, make Payments in respect of the Mezzanine Holdco Liabilities then due and payable, if that Payment is a "*Permitted Payment*" for the purposes of paragraph (d) of the definition of "*Permitted Payment*" in the Mezzanine Loan Note Agreement.

### **MEZZANINE SHAREHOLDER LIABILITIES**

Prior to the Final Discharge Date, the Mezzanine Shareholder and the Mezzanine Obligors shall only, and shall procure that no member of the Larger Group shall otherwise, make Payments in respect of the Mezzanine Shareholder Liabilities then due and payable, if that Payment is a "*Permitted Payment*" for the purposes of paragraph (e) of the definition of "*Permitted Payment*" in the Mezzanine Loan Note Agreement.

## **ENFORCEMENT ACTION**

### **OBLIGOR TRANSACTION SECURITY**

#### *Enforcement of Obligor Transaction Security*

The Instructing Group may, pursuant to the terms of the Intercreditor Agreement, give the Obligor Security Trustee instructions (as it sees fit) with respect to enforcement of the Obligor Transaction Security upon the Obligor Transaction Security becoming enforceable. The Obligor Security Trustee shall refrain from enforcing the Obligor Transaction Security until it receives such instructions from the Instructing Group (and until indemnified and/or secured and/or prefunded to its satisfaction). Following any instructions from the Instructing Group to enforce the Obligor Transaction Security, the Obligor Security Trustee shall serve upon the Borrower on behalf of all Debtors and each Rating Agency a notice (a **Senior Enforcement Notice**) declaring its intention to take Enforcement Action in respect of the Obligor Transaction Security unless the Instructing Group has instructed the Obligor Security Trustee to take Protective Enforcement Action, in which case the notice to the Debtors and each Rating Agency will only be served after the Protective Enforcement Action has taken place. Prior to the Mezzanine Discharge Date, the Obligor Security Trustee shall, except in relation to Protective Enforcement Action or where a delay in enforcement or to so consult would materially prejudice the Finance Parties, consult with the Mezzanine Finance Parties through the Mezzanine Agent for a period of not shorter than seven Intercreditor Business Days and not longer than ten Intercreditor Business Days prior to taking any such Enforcement Action.

#### *Manner of enforcement*

If an Obligor Event of Default has occurred and is continuing, the Obligor Security Trustee may, pursuant to the terms of the Intercreditor Agreement, prior to issuing, or after issuing, a Senior Enforcement Notice, serve a notice on the Mezzanine Agent and the Mezzanine Security Trustee requesting that the Mezzanine Loan Noteholders (or Mezzanine Noteholders) declare whether they wish to take any of the actions to which they are entitled as described in "*Mezzanine Loan Noteholder Cures*", or "*Purchase Option*" (as applicable) below and/or to take any Mezzanine Enforcement Action (as applicable) (in each case, a **Mezzanine Intention Notice**).

The Obligor Security Trustee shall enforce the Obligor Transaction Security as the Instructing Group shall instruct.

#### *Restriction on Finance Party Enforcement Action*

No Finance Party may take any Enforcement Action against any Debtor or against any asset of any Debtor in relation to any of the Senior Liabilities or instruct the Obligor Security Trustee to enforce the Obligor Transaction Security as a result of an Obligor Event of Default which is continuing:

- (a) if that Obligor Event of Default is a Curable Default which the Mezzanine Cure Loan Noteholders are entitled to cure under the Intercreditor Agreement to the earliest of: (i) the expiry of the applicable Election Period in respect of that Curable Default if no Mezzanine Cure Notification is delivered within that Election Period; (ii) if a Mezzanine Cure Notification is delivered within the applicable Election Period, the expiry of the applicable Grace Period in respect of that Curable Default (and the Finance Parties shall only be entitled to take Enforcement Action after the expiry of that Grace Period in respect of that Obligor Event of Default to the extent that it has not been cured within that Grace Period); and (iii) the date on which the Mezzanine Agent (on behalf of the Mezzanine Cure Loan Noteholders) notifies the Issuer that the Mezzanine Cure Loan Noteholders do not intend to exercise its rights in respect of that Obligor Event of Default;

- (b) if that Obligor Event of Default is a Purchase Event, in the period commencing on the date on which the Mezzanine Agent receives a Mezzanine Intention Notice in respect of that Obligor Event of Default to the earliest of: (i) the expiry of the Senior Purchase Election Period in respect of that Obligor Event of Default; (ii) if a Senior Purchase Notice is delivered within the Senior Purchase Election Period, the earlier of: (A) the occurrence of the relevant Senior Purchase Completion Date; and (B) the expiry of the Senior Purchase Notice in accordance with its terms; and (iii) the date on which the Mezzanine Agent (on behalf of the Mezzanine Loan Noteholders) notifies the Issuer that no Purchasing Party intends to exercise its rights described in "*Purchase Option*" below respect of that Obligor Event of Default;
- (c) if that Obligor Event of Default occurs prior to service of an Acquisition Notification, in the period commencing on the date on which the Mezzanine Agent receives a Mezzanine Intention Notice in respect of that Obligor Event of Default to the earlier of (i) the expiry of a five Intercreditor Business Day period after the date on which the Mezzanine Agent receives a Mezzanine Intention Notice (an **Acquisition Election Period**) if no Acquisition Notification is delivered within that period; and (ii) the date on which the Mezzanine Agent (on behalf of the Mezzanine Loan Noteholders) notifies the Issuer that the Mezzanine Loan Noteholders do not intend to exercise their rights to effect an Acquisition; or
- (d) if the Issuer receives an Acquisition Notification before the expiry of the Acquisition Election Period for that Obligor Event of Default and:
  - (i) that Obligor Event of Default is capable of remedy, and is remedied in accordance with, the actions contemplated in "*Enforcement Of Mezzanine Only Security/Obligor Event Of Default*" below; and
  - (ii) the Acquisition completes by no later than (A) the date falling 30 days after the delivery of a Mezzanine Intention Notice in respect of the Obligor Event of Default; and (B) the date determined in accordance with the provisions of the Intercreditor Agreement.

Nothing shall restrict the right of the Finance Parties to: (a) take Protective Enforcement Action; (b) take Enforcement Action in respect of a Curable Default if any other Curable Default occurred in respect of the last Loan Interest Period and that Curable Default was not remedied by the making of a Cure; or (c) continue any Enforcement Action that has already commenced where the Enforcement Action has given rise to an entitlement by a third party to have an asset which is the subject of an Obligor Security Document conveyed to it, if the discontinuance of the Enforcement Action would result in the relevant Finance Party breaching a pre-existing contractual obligation to a third party or, where it is legally not possible, to cease the Enforcement Action (provided that the conditions of the Intercreditor Agreement are met).

### ***MEZZANINE ONLY SECURITY***

Prior to the Senior Discharge Date, except as provided below, no Mezzanine Finance Party may at any time take any Enforcement Action in respect of any member of the Group or instruct the Obligor Security Trustee to enforce the Obligor Transaction Security.

However, the Mezzanine Finance Parties may at any time commence Mezzanine Enforcement Action with respect to the Mezzanine Liabilities (other than Mezzanine Enforcement Action against any member of the Group in respect of its Guarantee Liabilities under the Mezzanine Finance Documents or otherwise), including enforcing the Mezzanine Only Security Documents in accordance with the Mezzanine Finance Documents. At any time after a Finance Party has made a demand against any member of the Group in respect of its Guarantee Liabilities, a Mezzanine

Finance Party may make a demand against that member of the Group in relation to any Guarantee Liabilities owed to it, subject to an obligation to turn amounts over to the Obligor Security Trustee in accordance with the Intercreditor Agreement. Prior to the Senior Discharge Date, the Mezzanine Security Trustee will consult with the Issuer for a period of not shorter than seven Intercreditor Business Days and not longer than 10 Intercreditor Business Days prior to taking any Mezzanine Enforcement Action except in circumstances where the Mezzanine Security Trustee reasonably considers that a delay in taking such action or to so consult would be materially prejudicial to the Mezzanine Finance Parties.

Subject as provided under "*Restriction on Finance Party Enforcement Action*" above, any Mezzanine Enforcement Action shall not prejudice the rights of the Finance Parties in taking any Enforcement Action with respect to the Obligor Transaction Security or the Senior Liabilities.

#### ***ENFORCEMENT OF MEZZANINE ONLY SECURITY/OBLIGOR EVENT OF DEFAULT***

The Mezzanine Instructing Group must instruct the Mezzanine Agent to notify the Issuer (such notification being an **Acquisition Notification**) if any Mezzanine Loan Noteholder intends to effect an Acquisition. Any Mezzanine Enforcement Action taken pursuant to the Mezzanine Only Security to effect an Acquisition shall not trigger an Obligor Event of Default as described in paragraph 18 under the heading "*Issuer/Borrower Loan Agreement*" – "*Events of Default*" – "*Enforcement of Mezzanine Only Security*" if:

- (a) prior to the completion of the Acquisition, each relevant acquisition party has complied with all necessary "know your customer" requirements of the Finance Parties;
- (b) the Acquisition will not result in a breach of any law or regulations applicable to any Finance Party;
- (c) any Curable Default which is continuing is remedied on the date of completion of the Acquisition;
- (d) any other Obligor Event of Default which is continuing and capable of remedy is remedied on or before the date falling 30 days after the completion of the Acquisition;
- (e) in the opinion of the Issuer (acting reasonably), the Acquisition has no adverse impact on (i) the enforceability of the Obligor Transaction Security unless additional Obligor Transaction Security is provided on completion of the Acquisition in form and substance satisfactory to the Issuer; (ii) the tax position of the Group unless all tax liabilities of any member of the Group arising in connection with the Acquisition are cash collateralised to the satisfaction of the Issuer; or (iii) the solvency position of each member of the Group; and
- (f) each relevant acquisition party (and any other person that makes a loan to any member of the Group) accedes to the Intercreditor Agreement as the Mezzanine Loan Note Issuer or Mezzanine Holdco, as applicable, prior to the completion of the Acquisition.

For so long as either:

- (i) any Mezzanine Loan Noteholder owns and controls or Mezzanine Loan Noteholders and Mezzanine Noteholders acting together own or control (in each case, directly or indirectly) more than 50 per cent. of the issued share capital of the Borrower Holdco; or
- (ii) all Mezzanine Noteholders are "Disenfranchised Mezzanine Noteholders" for the purposes of condition 16.6 (Disenfranchised Holder) of the Mezzanine Notes on or following any relevant Mezzanine Enforcement Action,



then the relevant Mezzanine Loan Noteholders in the case of paragraph (i) above or the Mezzanine Issuer in the case of paragraph (ii) above will cease to have any rights as Mezzanine Loan Noteholders with respect to a number of clauses in relation to the Intercreditor Agreement, including (without limitation) those described in "*Amendments and Waivers*" above, "*Enforcement Action – Enforcement of Mezzanine Security*" above, "*Mezzanine Loan Noteholder Cures*" below and "*Purchase Option*" below and will (to the extent relevant) be deemed to have given any consent as required by a Finance Party (at the relevant time) under such clauses **provided that** if any such Mezzanine Loan Noteholder or any Mezzanine Loan Noteholders and Mezzanine Noteholders acting together subsequently cease to own and control (directly or indirectly) more than 50 per cent. of the issued share capital of the Borrower Holdco or the Mezzanine Noteholders are no longer all "Disenfranchised Mezzanine Noteholders" for the purposes of Condition 16.6 (Disenfranchised Holder) of the Mezzanine Notes, as the case may be, and there remain Mezzanine Liabilities which are outstanding, this disenfranchisement provision shall cease to apply.

### ***CO-OPERATION BETWEEN FINANCE PARTIES***

The Mezzanine Finance Parties (without prejudice to their rights under the Intercreditor Agreement) and each Debtor have, pursuant to the terms of the Intercreditor Agreement, undertaken that in the event that a Finance Party takes Enforcement Action in relation to the Obligor Transaction Security in accordance with the Intercreditor Agreement, they will, to the extent permitted by applicable law or regulation, do all acts and things required by the Obligor Security Trustee to enable the Finance Parties to take such Enforcement Action.

### ***INTRA-GROUP LENDER ENFORCEMENT ACTION***

Prior to the Final Discharge Date, no Intra-Group Lender may take any Enforcement Action in respect of any of the Intra-Group Liabilities except that after the occurrence of a Common Insolvency Event in relation to any Obligor, and with the prior written consent of the Obligor Security Trustee (or such other direction of the Obligor Security Trustee permitted under the Intercreditor Agreement), an Intra-Group Lender may take certain actions, including accelerating, making a demand, exercising any right of set-off or taking or receiving any Payment or claim and proving in the liquidation of an Obligor with respect to the Obligor's Intra-Group Liabilities.

### ***MEZZANINE LOAN NOTE ISSUER ENFORCEMENT ACTION***

Prior to the Final Discharge Date, the Mezzanine Loan Note Issuer may not take any Enforcement Action or Mezzanine Enforcement Action in respect of any of the Mezzanine Loan Note Issuer Liabilities except that after the occurrence of a Common Insolvency Event in relation to the Borrower Holdco, and with the prior written consent of the Obligor Security Trustee (or such other direction of the Obligor Security Trustee permitted under the Intercreditor Agreement), the Mezzanine Loan Note Issuer may take certain actions, including accelerating, making a demand, exercising any right of set-off or taking or receiving any Payment or claim and proving in the liquidation of an Obligor with respect to the Mezzanine Loan Note Issuer Liabilities.

### ***MEZZANINE HOLDCO ENFORCEMENT ACTION***

Prior to the Final Discharge Date, Mezzanine Holdco may not take any Enforcement Action or Mezzanine Enforcement Action in respect of any of the Mezzanine Holdco Liabilities except that after the occurrence of a Common Insolvency Event in relation to the Mezzanine Loan Note Issuer, and, with the prior written consent of the Mezzanine Security Trustee (or such other direction of the Mezzanine Security Trustee permitted under the Intercreditor Agreement), Mezzanine Holdco may take certain actions, including accelerating, making a demand, exercising any right of set-off or taking or receiving any Payment or claim and proving in the liquidation of the Mezzanine Loan Note Issuer with respect to the Mezzanine Holdco Liabilities.

## ***MEZZANINE SHAREHOLDER ENFORCEMENT ACTION***

Prior to the Final Discharge Date, the Mezzanine Shareholder may not take any Enforcement Action in respect of any of the Mezzanine Shareholder Liabilities except that after the occurrence of a Common Insolvency Event in relation to the Mezzanine Loan Note Issuer, and, with the prior written consent of the Mezzanine Security Trustee (or such other direction of the Mezzanine Security Trustee permitted under the Intercreditor Agreement), the Mezzanine Shareholder may take certain actions, including accelerating, making a demand, exercising any right of set-off or taking or receiving any Payment or claim and proving in the liquidation of the Mezzanine Holdco with respect to the Mezzanine Shareholder Liabilities.

## ***DISPOSALS AND RECOVERIES***

### *Non-Distressed Disposals*

With respect to a non-Distressed Disposal which is permitted under the Finance Documents and the Mezzanine Finance Documents, the Obligor Security Trustee is irrevocably authorised to: (i) release the Obligor Transaction Security over that asset, or any other claim (relating to a Debt Document) over that asset, including a release of the security over the Obligor's assets if the assets being released are the shares in the capital of a Obligor; and (ii) execute and deliver or enter into any release of the Obligor Transaction Security and issue any certificates of non-crystallisation or any floating charge or consent to dealing as considered necessary or desirable. The proceeds of any such non-Distressed Disposal shall be applied to prepay the Senior Liabilities or the Mezzanine Liabilities if so required by the Finance Documents or the Mezzanine Finance Documents.

### *Distressed Disposals and Appropriations*

With respect to a Distressed Disposal or an Appropriation, the Obligor Security Trustee is irrevocably authorised, pursuant to the terms of the Intercreditor Agreement, to release the Obligor Transaction Security and to issue such letters of non-crystallisation of any floating charge or any consent to dealing which, in the discretion of the Obligor Security Trustee, are thought necessary or desirable in the opinion of the Instructing Group and:

- (a) if the asset which is the subject of the Distressed Disposal or Appropriation consists of shares in the capital of an Obligor, the Obligor Security Trustee may release the Obligor and its Subsidiaries from (i) all or any part of its Borrowing Liabilities, Guarantee Liabilities and its Other Liabilities, (ii) any Obligor Transaction Security granted by the Obligor or any of its Subsidiaries, and (iii) any other claim of a Subordinated Finance Party over that Debtor or its Subsidiaries' assets;
- (b) if the asset which is the subject of the Distressed Disposal or Appropriation consists of shares in the capital of an Obligor (other than the Borrower Holdco), the Obligor Security Trustee may dispose of all or any part of the Liabilities or Debtor Liabilities owed by that Debtor or its Subsidiary;
- (c) if the asset which is the subject of the Distressed Disposal or Appropriation consists of shares in the capital of an Obligor (other than Borrower Holdco) (the **Disposed Entity**) and if the Instructing Group so instruct the Obligor Security Trustee it shall transfer to another member of the Group any obligations in respect of the Subordinated Liabilities or Debtor Liabilities of that Disposed Entity.

In the case of a Distressed Disposal, or a Liabilities Sale, the Obligor Security Trustee shall obtain a fair market price having regard to the prevailing market conditions. This requirement is deemed satisfied if (i) the Distressed Disposal or Liabilities Sale is made pursuant to any processes or

proceedings approved or supervised by or on behalf of any court of law, (ii) the Distressed Disposal or Liabilities Sale is made by, at the direction of or under the control of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer (or any analogous officer in any jurisdiction) appointed in respect of a Debtor or the assets of a Debtor, (iii) the Distressed Disposal or Liabilities Sale is made pursuant to the exercise of a power of sale under the Obligor Transaction Security exercised in accordance with applicable law, or (iv) the Distressed Disposal or Liabilities Sale is made pursuant to any auction or other competitive sales process the procedures for which do not expressly exclude the Mezzanine Noteholders from participating as prospective buyers, other than where such participation could prejudice that auction or competitive sales process, provided that the steps to be taken in connection with that competitive sales process (prescribed by the Intercreditor Agreement) are followed.

In connection with any competitive sales process the Obligor Security Trustee must, amongst other actions, consult with the Mezzanine Finance Parties (acting through the Mezzanine Agent) with respect to the reserve price for the asset that is the subject of that competitive sales process for a period of not shorter than three Intercreditor Business Days and not longer than five Intercreditor Business Days unless the Obligor Security Trustee determines (acting on the advice of any sales adviser) that it is prejudicial to the competitive sales process to do so.

All amounts from time to time received or recovered by the Obligor Security Trustee in connection with the realisation or enforcement of all or any part of the Obligor Transaction Security as described in this section shall be applied in accordance with the priority of payments as described in "*Application of Proceeds*" below.

Any Distressed Disposal or disposal of Liabilities in accordance with the Intercreditor Agreement may be made or cash or non-cash consideration acceptable to the Obligor Security Trustee. The Obligor Security Trustee will only be entitled to accept non-cash consideration if (i) the consideration in respect of each other offer in respect of that disposal consisting exclusively of cash is equal to or less than the value of the Senior Liabilities (ii) no other offer is made exclusively for cash in respect of that disposal or (iii) the consideration in respect of each other offer in respect of that disposal consisting exclusively of cash is more than the value of the Senior Liabilities but the Obligor Security Trustee (acting reasonably) determines that the relevant offer is not deliverable within a reasonable time period and/or attaches conditions which it is not reasonable for the Obligor Secured Creditors to accept.

#### *Compensation Proceeds, Insurance Proceeds and Recovery Proceeds*

If any claim is to be made by a Debtor and in respect of Compensation Proceeds, Insurance Proceeds, Recovery Proceeds or any other proceeds from the provider of a Report (each a **Claim**), and that Claim (or the proceeds therefrom) is subject to the Obligor Transaction Security, the Obligor Security Trustee is irrevocably authorised, pursuant to the terms of the Intercreditor Agreement, to give any consent necessary, or to release the Obligor Transaction Security, to allow the Debtor to pursue such a Claim. No Claim may be made by the Mezzanine Shareholder, the Mezzanine Holdco or the Mezzanine Loan Note Issuer at any time prior to the Senior Discharge Date. If no Distress Event has occurred at the time of receipt of the proceeds of a Claim and those proceeds are required to be applied in mandatory prepayment of the Senior Liabilities or the Mezzanine Liabilities then the proceeds must be paid directly into the Deposit Accounts to be so applied. If a Distress Event has occurred at the time of receipt of any such proceeds, the recipient of those proceeds shall pay them to the Obligor Security Trustee and the Obligor Security Trustee shall apply them in accordance with the priority of payments as described in "*Application of Proceeds*" below.

Each Primary Finance Party has agreed that the proceeds of any claim against the provider of a report or valuation received by it or on its behalf will be paid to the Obligor Security Trustee to be

applied by the Obligor Security Trustee first against the Senior Liabilities until discharged in full and second against the Mezzanine Liabilities.

### *Common Insolvency Event*

After the occurrence of a Common Insolvency Event in relation to an Obligor, any party to the Intercreditor Agreement entitled to receive a distribution of the assets of that Obligor in respect of Liabilities owed to such party shall instead direct (to the extent it is able to do so) that they are to be paid to the Obligor Security Trustee for distribution as described in "*Application of Proceeds*" below, until all Liabilities owing to the Obligor Security Trustee and the Obligor Secured Creditors have been paid in full. After the occurrence of a Common Insolvency Event in relation to any Obligor (in accordance with the Intercreditor Agreement) an Intercreditor Finance Party authorises the Obligor Security Trustee to demand payment of the amounts owing to that Finance Party and/or file a claim and do all other things the Obligor Security Trustee considers reasonably necessary to recover that Obligor's Liabilities. When acting on that authority, the Obligor Security Trustee shall act on the instructions of the group of Primary Finance Parties entitled to give enforcement instructions at that time.

## **MEZZANINE LOAN NOTEHOLDER CURES**

### *Cures*

If a Curable Default or a Control Valuation Event (a **Curable Event**) has occurred and is continuing, the Mezzanine Agent shall (if instructed by the Mezzanine Cure Loan Noteholders, or by any one of them) during the relevant grace period with respect to such Curable Event notify the Borrower and the Issuer (a **Mezzanine Cure Notification**) that the Mezzanine Cure Loan Noteholders (or any one of them) wishes to make a Cure with respect to that Curable Event.

A Mezzanine Noteholder or a Mezzanine Noteholder Affiliate may accede to the Mezzanine Loan Note Agreement and the Intercreditor Agreement as a Mezzanine Cure Loan Noteholder for the purposes of subscribing for a Mezzanine Cure Loan Note the proceeds of which will be applied towards making a Cure.

### *Mezzanine Cure Notification*

If a Mezzanine Cure Notification is given, the relevant Mezzanine Cure Loan Noteholders must procure that within the Grace Period for the relevant Curable Event:

- (a) in respect of a Payment Default, an amount equal to the relevant Payment Default Cure Payment is paid into an account specified by the Issuer (or into the Rent Accounts if no account is nominated);
- (b) in respect of a Financial Covenant Default:
  - (i) an amount equal to the Mezzanine Cure Loan Noteholder Cure Deposit in respect of the relevant Financial Covenant Default is deposited into the Cure Account; or
  - (ii) an amount equal to the Mezzanine Cure Loan Noteholder Covenant Breach Cure Payment in respect of the relevant Financial Covenant Default is paid to the Issuer to be applied in voluntary prepayment of the Issuer/Borrower Loans and any other amounts payable by the Borrower in connection with that prepayment; or
- (c) in respect of a Control Valuation Event, an amount equal to the Control Valuation Event Cure Payment in respect of the relevant Financial Covenant Default is paid to the Issuer to be

applied in voluntary prepayment of the Issuer/Borrower Loans and any other amounts payable by the Borrower in connection with that prepayment.

#### *Number of cures*

If any Mezzanine Cure Loan Noteholder, the Obligors or the Mezzanine Obligors have exercised their right to cure under the Intercreditor Agreement, the Issuer/Borrower Loan Agreement or the Mezzanine Loan Note Agreement in respect of a Test Date, no Obligor, no Mezzanine Obligor and no Mezzanine Cure Loan Noteholder may exercise their right to cure under the Intercreditor Agreement, the Issuer/Borrower Loan Agreement or the Mezzanine Loan Note Agreement in respect of the Test Date immediately following that Test Date. For the purposes of this paragraph “*Test Date*” has the meaning given to it in each of the Issuer/Borrower Loan Agreement and the Mezzanine Loan Note Agreement. Subject as described below, the payment of any Covenant Cure by the Mezzanine Cure Loan Noteholders may only be made a maximum of four times in any five-year period.

Any cure by:

- (a) the Obligors of a Financial Covenant Ratio Breach will reduce (i) the number of Covenant Cures which may subsequently be made by the Mezzanine Cure Loan Noteholders and (ii) the number of cures which may subsequently be made by the Mezzanine Obligors in respect of a breach of the financial covenants set out in the section entitled “*Description of the Mezzanine Loan Note Agreement*” – “*Historical Whole Loan Debt Yield and Projected Whole Loan Debt Yield*” (a **Mezzanine Financial Covenant Ratio Breach**);
- (b) the Mezzanine Obligors of a Mezzanine Financial Covenant Ratio Breach will reduce (i) the number of Covenant Cures which may subsequently be made by the Mezzanine Cure Loan Noteholders and (ii) the number of cures which may subsequently be made by the Obligors in respect of a Financial Covenant Ratio Breach; and
- (c) the Mezzanine Cure Loan Noteholders effected as a Covenant Cure will reduce (i) the number of cures which may subsequently be made by the Obligors in respect of a Financial Covenant Ratio Breach and (ii) the number of cures which may subsequently be made by the Mezzanine Obligors in relation to a Mezzanine Financial Covenant Ratio Breach.

#### *Miscellaneous*

Any Cure will be treated as forming part of the relevant Mezzanine Liabilities and shall take effect under the Mezzanine Loan Note Agreement by way of a subscription by the relevant Mezzanine Cure Loan Noteholders for Mezzanine Cure Loan Notes issued by the Mezzanine Loan Note Issuer and the total amount in aggregate owed by the Mezzanine Loan Note Issuer to the relevant Mezzanine Cure Loan Noteholders pursuant to the Mezzanine Loan Note Agreement will be increased by an equivalent amount.

The payment of a Cure shall not be treated as remedying any continuing Mezzanine Event of Default.

### **ADDITIONAL SECURITY**

#### *Obligor Transaction Security*

The Issuer and the Obligor Security Trustee may receive the benefit of any Security Interests in respect of the Senior Liabilities in addition to the Obligor Transaction Security if it is also offered to the Obligor Security Trustee and the other Obligor Secured Creditors in respect of their Liabilities or

to the Obligor Security Trustee under a parallel debt structure for the benefit of the other Obligor Secured Creditors and provided it ranks in the same order of priority as set out in the Intercreditor Agreement (see "*Ranking*" above).

#### *Mezzanine Security*

Prior to the Senior Discharge Date, the Mezzanine Finance Parties may not, without the prior consent of the Issuer, receive the benefit of any Security Interest in respect of the Mezzanine Liabilities from any member of the Group other than:

- (a) the Mezzanine Only Security;
- (b) the Obligor Transaction Security;
- (c) any Security Interest received by the Issuer and the Obligor Security Trustee as permitted pursuant to the terms of the Intercreditor Agreement (see "*Obligor Transaction Security*" above); or
- (d) any guarantee, indemnity or other assurance contained in the Mezzanine Loan Note Agreement, the Intercreditor Agreement or any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible, given to all the Obligor Secured Creditors in respect of their Liabilities.

#### *Hedging Security*

No Hedge Counterparty may receive the benefit of any Security Interest in respect of the Hedging Liabilities other than:

- (a) the Obligor Transaction Security;
- (b) any Security Interest received by the Issuer and the Obligor Security Trustee as permitted pursuant to the terms of the Intercreditor Agreement (see "*Obligor Transaction Security*" above); or
- (c) any guarantee, indemnity or other assurance contained in the applicable Hedging Agreement, the Issuer/Borrower Loan Agreement, the Intercreditor Agreement or any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible, given to all the Obligor Secured Creditors in respect of their Liabilities.

#### *Intra-Group Security*

Prior to the Final Discharge Date, the Intra-Group Lenders may not take, accept or receive the benefit of any Security Interest, guarantee, indemnity or other assurance with respect to the Intra-Group Liabilities unless:

- (a) expressly permitted by either the Issuer/Borrower Loan Agreement and the Mezzanine Loan Note Agreement;
- (b) prior to the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has not occurred, the prior consent of the Issuer and the Mezzanine Instructing Group (acting through the Mezzanine Agent) is obtained;

- (c) prior to the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has occurred, the prior consent of the Issuer is obtained; or
- (d) on or after the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has not occurred, the prior consent of the Mezzanine Instructing Group (acting through the Mezzanine Agent) is obtained.

*Mezzanine Loan Note Issuer/Mezzanine Holdco Security/Mezzanine Shareholder Security*

Prior to the Final Discharge Date, the Mezzanine Shareholder, the Mezzanine Loan Note Issuer and the Mezzanine Holdco may not receive the benefit of any Security Interest, guarantee, indemnity or assurance from any member of the Mezzanine Shareholder Liabilities, the Group in respect of any of the Mezzanine Shareholder Liabilities, the Mezzanine Loan Note Issuer Liabilities or the Mezzanine Holdco Liabilities, respectively.

**PURCHASE OPTION**

Any Purchasing Party may, at any time on or before the date falling five Intercreditor Business Days after the Mezzanine Agent receives a Mezzanine Intention Notice in respect of a Purchase Event which is continuing (a **Senior Purchase Election Period**), elect to purchase all of the Senior Loan Liabilities by serving an irrevocable notice in writing on the Issuer to purchase all of the Senior Loan Liabilities and purchase or terminate all of the Hedging Liabilities (a **Senior Purchase Notice**). The Senior Purchase Notice must nominate a purchase date (the **Senior Purchase Completion Date**) falling not more than 15 Intercreditor Business Days after the date of the Senior Purchase Notice on which the relevant Purchasing Parties shall pay the Senior Purchase Amount and acquire all Senior Liabilities and acquire (or terminate) all Hedging Liabilities.

Following issuance of a Senior Purchase Notice, the Finance Parties may not commence any Enforcement Action pursuant to the terms of the Intercreditor Agreement unless the relevant Purchasing Parties fail to pay the Senior Purchase Amount in full on the Senior Purchase Completion Date.

**PURCHASE OF THE MEZZANINE LOAN NOTE ISSUER LIABILITIES OR HEDGING LIABILITIES**

Prior to the Final Discharge Date, the Mezzanine Loan Note Issuer, the Borrower Holdco and each Debtor shall not and shall procure that no member of the Larger Group will: (a) enter into an acquisition of any Mezzanine Loan Note Issuer Liabilities or Hedging Liabilities; or (b) beneficially own all or any part of the share capital of a company that is party to an acquisition of Mezzanine Loan Note Issuer Liabilities or Hedging Liabilities, unless:

- (a) in respect of Mezzanine Loan Note Issuer Liabilities only, permitted or contemplated under the Intercreditor Agreement; or
- (b) prior to the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has not occurred, the prior consent of the Issuer and the Mezzanine Instructing Group (acting through the Mezzanine Agent) is obtained;
- (c) prior to the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has occurred, the prior consent of the Issuer is obtained; or
- (d) on or after the Senior Discharge Date if, at that time, the Mezzanine Discharge Date has not occurred, the prior consent of the Mezzanine Instructing Group (acting through the Mezzanine Agent) is obtained.

## ***APPLICATION OF PROCEEDS***

Any monies received under or recovered by the Obligor Security Trustee pursuant to the terms of any Debt Document (other than excess swap collateral and certain prepayments of the Issuer/Borrower Loans and the Mezzanine Loan Notes) or from the realisation or enforcement of any of the Obligor Transaction Security shall be held on trust by the Obligor Security Trustee and shall be applied at any time as the Instructing Group may direct to the extent permitted by applicable law in accordance with the Borrower Post-Enforcement Pre-Acceleration Payment Priorities or the Borrower Post-Enforcement Post-Acceleration Payment Priorities (as applicable) (as defined in and referred to in the section "*Payment Priorities – Borrower Payment Priorities – Borrower Pre-Enforcement Pre-Acceleration Payment Priorities*" above) as set out in the Issuer/Borrower Loan Agreement in its original form (or as amended or waived in accordance with the Intercreditor Agreement).

All amounts recovered by the Mezzanine Security Trustee pursuant to the terms of any Debt Documents or in connection with the realisation or enforcement of any part of the Mezzanine Only Security shall be applied in accordance with the Mezzanine Finance Documents.

## ***POWER OF ATTORNEY***

Each of the Subordinated Finance Parties and the Debtors:

- (a) prior to the Senior Discharge Date, appoints the Obligor Security Trustee; and
- (b) on or after the Senior Discharge Date, but prior to the Mezzanine Discharge Date, appoints the Mezzanine Security Trustee,

as its attorney to, *inter alia*, do all acts and things it has been instructed to do by the Obligor Security Trustee or the Mezzanine Security Trustee under the Intercreditor Agreement or is required to do pursuant to the terms of the Intercreditor Agreement but has failed to do.

## ***OTHER PROVISIONS***

The Intercreditor Agreement:

- (a) sets out that any Primary Finance Party may accede thereto in order to obtain an interest in the Obligor Transaction Security and become an Obligor Secured Creditor; and
- (b) incorporates market standard provisions whereby all Obligor Secured Creditors agree that the Obligor Security Trustee alone may enforce the Obligor Transaction Security.



## OVERVIEW OF CERTAIN OTHER OBLIGOR TRANSACTION DOCUMENTS

*The following is intended only to be an overview of certain provisions of certain of the Obligor Transaction Documents.*

### A. OBLIGOR SECURITY DOCUMENTS

Each Obligor will enter into the Obligor Deed of Charge and the Luxembourg Security Documents on the Closing Date (together with any other security documents designated as such by the Borrower and the Obligor Security Trustee, the **Obligor Security Documents**) with the Obligor Security Trustee.

Pursuant to the Obligor Deed of Charge, each Obligor grants security over its English assets and undertakings.

Pursuant to the Luxembourg Security Documents, each Obligor grants security over its Luxembourg assets and undertakings.

#### ***OBLIGOR DEED OF CHARGE***

The security to be granted by the Obligors (the **Obligor Security**) will be granted to the Obligor Security Trustee as trustee for itself and the other Obligor Secured Creditors in respect of all present and future obligations and liabilities (whether actual or contingent and whether incurred solely or jointly and as principal or surety or in any other capacity) of any Debtor to any Obligor Secured Creditor under each Obligor Secured Debt Document to which such Obligor is a party (the **Obligor Secured Obligations**).

The security to be constituted by the Obligor Deed of Charge is expressed to include:

- (a) a first legal mortgage over the Properties located in England and Wales;
- (b) assignment and/or charges over:
  - (i) the Management Company Leases governed by English law;
  - (ii) the Rental Income in respect of each Property located in England and Wales;
  - (iii) all other real property (excluding any real property in Scotland) of each Obligor by way of first fixed charge;
  - (iv) all of its rights in respect of any Obligor Account and any amount standing to the credit of any Obligor Account;
  - (v) the uncalled capital of each Obligor;
  - (vi) all of its rights in respect of any contract or policy of insurance taken out by it or on its behalf or in which it has an interest;
  - (vii) all shares of each Obligor (other than the Borrower Holdco); and
  - (viii) all book and other debts owned by each Obligor;
- (c) a first floating charge of each Obligor's assets not otherwise mortgaged, charged or assigned under the Obligor Deed of Charge.

The Obligor Security will be held on trust by the Obligor Security Trustee for itself and on behalf of the other Obligor Secured Creditors.

The Obligor Deed of Charge will provide that the Obligor Security Trustee will enforce the Obligor Security by appointing an administrative receiver in respect of the Obligors if an Obligor Event of Default occurs that relates to:

- (i) an application for the appointment of an administrator in respect of that Obligor; or
- (ii) the giving of a notice of intention to appoint an administrator in respect of that Obligor,

subject to the Obligor Security Trustee receiving actual notice of the event in (i) or (ii) above and being able to do so.

### ***LUXEMBOURG SECURITY DOCUMENTS***

The following pledges will be entered into on or about the Closing Date (together, the **Luxembourg Security Documents**) under which:

- (a) each Luxembourg Obligor will grant, in favour of the Obligor Security Trustee, a pledge over all monies, claims etc. held, deposited into or standing to the credit of any account held by a Luxembourg Obligor in Luxembourg (the **Luxembourg Account Pledge**);
- (b) each Luxembourg Obligor will grant, in favour of the Obligor Security Trustee, a pledge over the receivables owed to them by any Obligor, including, without limitation, under certain intra-group loan agreements (**Luxembourg Receivables Pledge**); and
- (c) the Luxembourg Obligors which own shares in another Luxembourg Obligor will grant, in favour of the Obligor Security Trustee, a pledge over those shares (the **Luxembourg Share Pledge**).

### ***SCOTTISH SECURITY DOCUMENTS***

If Scottish assets are included in the Property Portfolio following the Closing Date, the relevant Obligors will enter into the following Scottish security:

- (a) Scottish standard securities in respect of each Property located in Scotland, in favour of the Obligor Security Trustee; and
- (b) Scottish assignments of rent in respect of the relevant Lease Documents relating to each property located in Scotland in favour of the Obligor Security Trustee.

### ***NORTHERN IRISH SECURITY DOCUMENTS***

If Northern Irish assets are included in the Property Portfolio following the Closing Date, the relevant Obligors will enter a Northern Irish law fixed mortgage and charge in respect of each property located in Northern Ireland which will include an assignment of rental income in respect of the Lease Documents relating to each such property, in favour of the Obligor Security Trustee.

### ***MEZZANINE ONLY SECURITY***

The obligations of the Mezzanine Obligors and the Obligors under the Mezzanine Finance Documents are secured by the Mezzanine Only Security Documents and the Obligor Security Documents. Each Mezzanine Obligor has granted, in favour of the Mezzanine Security Trustee who

holds such security on trust for the Mezzanine Secured Parties, English law first fixed and/or floating security over all its property, undertaking and assets (subject to certain limitations and exclusions).

Each Mezzanine Obligor has also entered into:

- (a) a first ranking account pledge in respect of certain accounts located in Luxembourg;
- (b) a first ranking share pledge in respect of the shares of the Mezzanine Loan Note Issuer; and
- (c) a first ranking receivables pledge in respect of any receivables under the Subordinated Debts,

which will all be governed by Luxembourg law.

The Mezzanine Loan Noteholders also benefit from the Obligor Security.

## **B. OBLIGOR ACCOUNT BANK AGREEMENT**

### ***General***

The Obligor Accounts are held with the Obligor Account Bank pursuant to the Obligor Account Bank Agreement dated on or around the Closing Date between, *inter alios*, the Borrower, certain of the other Obligors, the Obligor Account Bank and the Obligor Security Trustee.

For a description of the Obligor Accounts, please refer to the section entitled "*Issuer/Borrower Loan Agreement – Obligor Accounts*".

### ***Termination***

The Obligor Security Trustee or an Obligor, in certain circumstances, may terminate the Obligor Account Bank's appointment without cause upon not less than 30 days' written notice.

The Obligor Security Trustee or an Obligor, in certain circumstances, may terminate the Obligor Account Bank's appointment for cause immediately upon the occurrence of, among others, the following events:

- (a) default by the Obligor Account Bank in the performance of any of its material obligations under the Obligor Account Bank Agreement, if such default is not cured or waived within three Business Days of the Obligor Account Bank having received notice of such default or the Obligor Account Bank becoming aware of such default;
- (b) a failure by the Obligor Account Bank to maintain all the appropriate licences, consents, approvals and authorisations required to perform its obligations under the Obligor Account Bank Agreement;
- (c) the Obligor Account Bank no longer maintains the Required Ratings; or
- (d) the occurrence of an Insolvency Event in respect of the Obligor Account Bank.

The Obligor Account Bank may resign, in certain circumstances and subject to certain conditions, as Obligor Account Bank upon not less than 90 days' written notice of resignation to the Obligors (with a copy to the Obligor Security Trustee), including:

- (a) if such resignation would otherwise take effect less than 30 days before the date upon which the Obligor Security created under the Obligor Security Documents is released or any Loan Interest Payment Date, it shall not take effect until the 30th day following such date; and
- (b) in the event that there is a violation of Sanctions by the Obligors, in connection with any of the Obligor Accounts.

The termination of the appointment of the Obligor Account Bank (and/or its resignation) will become effective, upon:

- (a) the appointment of a new Obligor Account Bank in accordance with the Obligor Account Bank Agreement;
- (b) the Obligor Security Trustee being satisfied that security equivalent to the existing Security Interests created by the Obligor Security Documents has been created in favour of the Obligor Security Trustee for the benefit of the Issuer and the other Obligor Secured Creditors; and
- (c) the amounts standing to the credit of the Obligor Account(s) have been transferred to the substitute Obligor Account(s) opened with the substitute Obligor Account Bank.

**Sanctions** means any applicable economic or financial sanctions laws, regulations, trade embargoes, asset freezing or similar or equivalent restrictive measures administered, enacted, imposed or enforced from time to time by (a) the United Nations Security Council, any United Nations Security Council Sanctions Committee, Her Majesty's Treasury of the United Kingdom, Canada, the French Republic, the Swiss Confederation and/or the European Union or its member states, or (b) the United States (including, without limitation, OFAC, the U.S. Department of the Treasury or the U.S. Department of State), or their respective governmental institutions and agencies of any of the foregoing, each as amended, supplemented or substituted from time to time.

### **C. TAX DEED OF COVENANT**

A tax deed of covenant (the **Tax Deed of Covenant**) will be entered into on or around the Closing Date by, among others, the Issuer, Issuer Holdco, the Borrower, Borrower Holdco, the Obligor Holdcos, the Propcos and the Management Companies (together, the **Tax Covenantors**) and the Obligor Security Trustee, the Issuer Security Trustee, the Note Trustee, the Mezzanine Security Trustee, the Mezzanine Issuer Security Trustee and the Mezzanine Note Trustee (the **Tax Beneficiaries**).

The primary purpose of the Tax Deed of Covenant is to mitigate the risk of:

- (a) secondary tax liabilities arising within the Obligor Group;
- (b) latent tax risks, created by the pre-sale and post-acquisition restructuring of the Borrower and its subsidiary undertakings, being crystallised; and
- (c) other unexpected tax liabilities arising within the Obligor Group,

by providing for various representations, warranties and covenants to be given by the Tax Covenantors as summarised in more detail below.

Under the Tax Deed of Covenant, the Tax Covenantors give certain representations, warranties and covenants to the Tax Beneficiaries relating to (among other things):

- (i) their tax status and compliance position, including representations, warranties and covenants as to the following:
  - (A) their residency for tax purposes (and the (non) existence of permanent establishments and other taxable presences in non-local jurisdictions);
  - (B) compliance with applicable tax laws;
  - (C) the due payment of current and future taxes;
  - (D) preparation and filing of tax returns on a proper basis;
  - (E) not entering and not having entered into transactions with the purpose of avoiding tax or securing a tax advantage; and
  - (F) not taking certain actions or steps, or doing or omitting to do certain things, which may crystallise a latent tax liability within the Obligor Group (including those latent tax liabilities created by the restructuring transactions by which the Obligor Group was formed) or render a Tax Covenantor secondarily liable for tax liabilities of another person;
- (ii) certain VAT matters, including VAT group membership and the certain VAT matters relating to the Properties and supplies made in respect of the Properties;
- (iii) UK stamp duty land tax in respect of the Properties (and any other interests in UK land held by or which are acquired by members of the Obligor Group), in particular in relation to the restructuring transactions by which the Obligor Group was formed; and
- (iv) the obligation to withhold amounts for or on account of United Kingdom income tax:
  - (A) in respect of payments under the Issuer/Borrower Loans and the Intra-Group Loans; and
  - (B) under the non-resident landlord scheme from rent paid to the Propcos.

## OVERVIEW OF CERTAIN ISSUER TRANSACTION DOCUMENTS

*The following is intended only to be an overview of certain provisions of certain of the Issuer Transaction Documents.*

The following documents are the **Issuer Transaction Documents**:

- (a) the Note Trust Deed;
- (b) the Issuer Deed of Charge;
- (c) the Issuer Cash Management Agreement;
- (d) the Issuer Account Bank Agreement;
- (e) the Agency Agreement;
- (f) the Servicing Agreement;
- (g) the Master Definitions Schedule;
- (h) the Issuer/Borrower Loan Agreement and the Finance Documents;
- (i) the Issuer Liquidity Facility Agreement;
- (j) the Tax Deed of Covenant;
- (k) the Corporate Services Agreement; and
- (l) any other agreement, instrument or deed designated by the Issuer and the Issuer Security Trustee as an Issuer Transaction Document.

### A. THE SERVICING ARRANGEMENTS

#### ***THE SERVICING AGREEMENT***

Pursuant to the terms of the servicing agreement to be dated on or about the Closing Date and to be entered into by, *inter alios*, the Issuer, the Issuer Security Trustee, the Servicer and the Special Servicer (the **Servicing Agreement**), the Issuer has appointed the Servicer and the Special Servicer to act as its agents and to exercise all of its rights, powers and discretions in relation to the Issuer/Borrower Loans, the Obligor Security and the Finance Documents.

In addition, the Issuer has appointed the Servicer and the Special Servicer to act as its agents to perform certain services in relation to the Obligor Transaction Documents.

#### ***THE SERVICING STANDARD***

Each of the Servicer and the Special Servicer are and will be required to exercise all rights, powers and discretions relating to the Issuer/Borrower Loans, the related Obligor Security and the Finance Documents which have been delegated to it by the Issuer and all other services to be provided by it under the Servicing Agreement, including with respect to the Issuer Transaction Documents, in accordance with and subject to the following requirements (the **Servicing Standard**):

- (a) all applicable laws and regulations;

- (b) the terms of the Finance Documents (including, without limitation, the terms of the Intercreditor Agreement);
- (c) the terms of the Servicing Agreement;
- (d) in the best interests and for the benefit of the Issuer, using reasonable judgement and as determined in good faith by the Servicer or the Special Servicer (as the case may be); and
- (e) to a standard of care which is the higher of:
  - (i) the standard of care and with the same skill, care and diligence it applies to servicing similar loans for third parties; and
  - (ii) the standard of care and with the same skill, care and diligence it applies when it services commercial mortgage loans beneficially owned by it and/or its Affiliates (if any),

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage loan servicers servicing commercial mortgage loans which are similar to the Issuer/Borrower Loans with a view to:

- (A) the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Issuer/Borrower Loans and the Obligor Security;
- (B) the prudent and timely exercise of rights of the Issuer under the Finance Documents (which, for the avoidance of doubt, have been delegated to the Servicer, or for which the Servicer is responsible, under the terms of the Servicing Agreement); and
- (C) if any of the Issuer/Borrower Loans comes into or continues to be in default, the maximisation of recoveries in respect of the Issuer/Borrower Loans.

In the event that there is a conflict between any of the requirements set out in paragraphs (a) to (e) above, the Servicer or, as applicable, the Special Servicer, are and will be required to apply such requirements in the order of priority in which they appear. In applying the Servicing Standard and in performance of their respective obligations under the Servicing Agreement, neither the Servicer nor the Special Servicer is and will be permitted to have regard to:

- (i) any fees or other compensation to which the Servicer or Special Servicer may be entitled;
- (ii) any relationship the Servicer or Special Servicer or any of their respective Affiliates may have with the Borrower, any Obligor or any Affiliate of the Borrower or an Obligor or any party to the transactions entered into in connection with the issue of the Notes, the Issuer Transaction Documents or the Finance Documents (or any Affiliate of any such person);
- (iii) any retainer, fee arrangement or other relationship conferring an economic benefit with any person appointed by it to provide any services or advice in connection with the Servicing Agreement; and/or
- (iv) the ownership (whether beneficial or legal, direct or indirect) of any of the Notes or any interest in the Issuer/Borrower Loans or the Mezzanine Loan Note by the Servicer or Special Servicer or any of their respective affiliates or any client of the Servicer or Special Servicer or any affiliate of any such person.

## **ENFORCEMENT RIGHTS OF NOTEHOLDERS**

In accordance with the Contracts (Rights of Third Parties) Act 1999, the Noteholders acting collectively are and will be permitted, following the passing of an Extraordinary Resolution approving the same, to enforce the rights of the Noteholders against the Servicer and/or the Special Servicer in the event that such Noteholders suffer a loss on the Notes as a result of a breach by the Servicer and/or the Special Servicer, as applicable, of their obligations under the Servicing Agreement.

No individual Noteholder is bringing or will be permitted to bring or pursue any claim against the Servicer and/or the Special Servicer, as applicable, unless such Noteholder holds sufficient Notes to pass an Extraordinary Resolution unilaterally.

## **ROLE OF THE SERVICER AND SPECIAL SERVICER**

The terms of the Servicing Agreement will require the Servicer or (where the Issuer/Borrower Loans are Specially Serviced Loans) the Special Servicers to perform, *inter alia*, the following duties:

- (a) the supervision and monitoring of all payments due under or in connection with the Issuer/Borrower Loans and the Finance Documents;
- (b) the calculation of relevant amounts to be withdrawn from the Obligor Accounts and to provide instructions to the Obligor Security Trustee in order for such withdrawals to be made from the relevant Obligor Accounts at the times and in the manner prescribed by the Finance Documents;
- (c) the establishment, administration and maintenance of procedures to monitor compliance by the Obligors with the requirements of the Finance Documents relating to insurance;
- (d) the initiation (where considered appropriate to do so) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Finance Documents;
- (e) the release and discharge of the Obligor Security as is required in accordance with the terms of the Finance Documents;
- (f) following the occurrence of an Obligor Event of Default, the determination and application of an enforcement strategy in relation to the Obligor Security;
- (g) the preparation and delivery of the various reports, including the Servicer Half Yearly Report, the Asset Status Report and the Note Maturity Report;
- (h) the retention of and maintenance of the original or copies of, *inter alia*, the Finance Documents (and all amendments and supplements thereof and any other documents relating thereto), any insurance policy relating to the Properties, the Initial Valuation Report, the Valuations, environmental reports and any other reports relating to the Properties and all books of account and any other documents, papers, records, registers, correspondence and other information (including records stored in electronic form) relating to the Issuer/Borrower Loans, the Obligor Security and the Finance Documents (the **Servicing File**) and the keeping of full books of account and other records in relation to the Issuer/Borrower Loans;
- (i) the preparation and submission of all applications and requests for approvals, authorisations, consents and licences requested by the Issuer insofar as it relates to the duties to be performed by the Servicer or the Special Servicer;



- (j) the initiation (in consequence of any proposed consent, waiver or modification to a Finance Document) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Obligor Transaction Documents;
- (k) conducting all communications and dealings with the Obligors in relation to all matters concerning the Issuer/Borrower Loans and the Obligor Security; and
- (l) upon request, providing copies of the Finance Documents and the Issuer Transaction Documents to any person (including in electronic form); and
- (m) the determination and communication to the Issuer Cash Manager of certain information including, among other things, amounts due, and amounts that will be paid, by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement in respect of each Note Interest Payment Date.

### ***RETAINED SERVICES***

Each of paragraphs (g) (in relation to the preparation and publishing of the Servicer Half Yearly Report and the conducting of the annual review only), (h) (in relation to the keeping of full books of account and other records in relation to the Issuer/Borrower Loans) and (l) above will, *inter alia*, constitute **Retained Services** which the Servicer will be and is required to continue to provide notwithstanding the Issuer/Borrower Loans becoming Specially Serviced Loans (see the section entitled "*Special Servicing*"). The duties of the Special Servicer do not and will not include the provision of the Retained Services.

Certain of the duties of the Servicer and the Special Servicer are described in more detail below. References to the Issuer/Borrower Loans include the Issuer/Borrower Loans for such time as they are Specially Serviced Loans, as applicable.

### ***ASSET STATUS REPORT***

If a Special Servicing Transfer Event occurs, the Special Servicer will prepare an Asset Status Report with respect to the Issuer/Borrower Loans and the Properties not later than 60 days after the occurrence of such Special Servicing Transfer Event (the **Asset Status Report**).

The Asset Status Report shall include:

- (a) a description of the status of the Issuer/Borrower Loans and the Properties, any strategy with respect to the same and any negotiation with the Borrower or other Obligors;
- (b) a discussion of the general legal and environmental considerations reasonably known to the Special Servicer, consistent with the Servicing Standard, that are applicable to the exercise of remedies under the Issuer/Borrower Loans and to the enforcement of the Issuer/Borrower Loans and the Obligor Security;
- (c) confirmation as to whether external legal counsel or any other external advisors have been retained by the Special Servicer;
- (d) a consideration of the effect on the net present value of the various courses of action with respect to the Issuer/Borrower Loans, including, without limitation, a work-out of the Issuer/Borrower Loans and/or the Obligor Security;

- (e) the most current rent schedule and income or operating statement available for each of the Properties;
- (f) a summary of the Special Servicer's recommended actions and strategies (the disclosure of which will be subject to the Servicing Standard) with respect to the Issuer/Borrower Loans which, subject to the terms of the Issuer/Borrower Loan Agreement, shall be the course of action that the Special Servicer has determined would maximise recovery on the Issuer/Borrower Loans on a net present value basis;
- (g) the latest Valuations of the Properties, together with the assumptions used in the calculation thereof; and
- (h) such other information as the Special Servicer deems relevant in light of the Servicing Standard.

Promptly after the Asset Status Report has been prepared in accordance with the above, the Special Servicer shall deliver a copy of such Asset Status Report to the Rating Agency, the LF Agent and the Servicer.

The Special Servicer will also be required to deliver to the Issuer and the Note Trustee a draft form of a proposed notice to the Noteholders that will include a summary of the current Asset Status Report (which will be a brief summary of the current status of the Properties and current strategy with respect to the Issuer/Borrower Loans, with information redacted if and to the extent the Special Servicer determines, at its reasonable discretion, that disclosure of such information may compromise the position of the Issuer, as lender), which the Issuer will be required to publish in a Regulatory Information Service filing or equivalent filing, if any, that complies with the requirements of the relevant exchange on which the Notes are listed and applicable law.

#### ***TRANSFERS AND CALCULATIONS BY THE SERVICER***

The Servicer is and will be required to calculate and procure the withdrawal from the relevant Obligor Account of amounts due on each Loan Interest Payment Date from the Obligors to the Issuer under the terms of the Issuer/Borrower Loan Agreement.

The Servicer will as permitted by and in accordance with the terms of the Issuer/Borrower Loan Agreement (as agent for the Issuer) monitor all payments due under or in connection with the Issuer/Borrower Loans and the Finance Documents.

#### ***RATINGS HELD BY OBLIGOR ACCOUNT BANK***

The Servicer is and will be required to review on a weekly basis the ratings by the Rating Agencies of the banks which hold the accounts established and maintained pursuant to the Issuer/Borrower Loan Agreement and notify the Issuer, the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager and the Rating Agencies of any change in such ratings.

#### ***MODIFICATIONS, WAIVERS, AMENDMENTS AND CONSENTS IN RELATION TO THE FINANCE DOCUMENTS***

The Servicer or, as applicable, the Special Servicer is and will be responsible for responding to or otherwise considering requests by the Obligors, a Mezzanine Finance Party or any other relevant entity for consents, modifications, waivers or amendments relating to the Finance Documents and is and will be permitted to initiate any request for consents, modifications, waivers or amendments relating to the Finance Documents if it considers it appropriate to do so (acting in accordance with the Servicing Standard).

The Servicer or, as applicable, the Special Servicer is and will be permitted (but is not and will not be obliged) to agree to any such request and initiate any such request if the following conditions are satisfied:

- (a) no Note Acceleration Notice has been given by the Note Trustee which remains in effect and the Issuer Security Trustee has not taken steps to enforce the Issuer Security at the date on which the relevant consent, modification, waiver or amendment is agreed;
- (b) the Issuer will not be required to make a further advance of principal (other than in relation to a further advance of monies raised in connection with an issue of New Notes, Replacement Notes or Further Notes, in connection with which, for the avoidance of doubt, the Servicer will be permitted to agree amendments or modifications);
- (c) the effect of such consent, modification, waiver or amendment would not be to extend the Loan Final Maturity Date;
- (d) following such consent, modification, waiver or amendment, the Obligor Security will continue to include a full first ranking legal mortgage or charge or equivalent over the legal and/or beneficial interest (as applicable) in all of the Properties (except in respect of Properties to be disposed of as contemplated by such proposed consent, modification waiver or amendment) or other security satisfactory to the Servicer or the Special Servicer has been obtained;
- (e) the consent, modification, waiver or amendment will not adversely affect the payments or protections afforded to, or increase the scope of the duties imposed upon, the Issuer Security Trustee, the Noteholders, the Note Trustee and/or the Obligor Security Trustee under the Finance Documents; and
- (f) in respect of any consent, modification, waiver or amendment which will require the consent of any of the Mezzanine Finance Parties pursuant to the terms of the Intercreditor Agreement, the prior consent of the Mezzanine Finance Parties has been obtained in accordance with the provisions of the Intercreditor Agreement.

The Servicer or the Special Servicer, as applicable, must respond to any request referred to above within the time period required under the relevant Finance Document pursuant to which the request is made in order to avoid the Issuer being deemed to have consented and/or voted in favour of the relevant request.

If:

- (i) the Servicer or the Special Servicer, as applicable, requires the direction of the Noteholders in order to respond to any request referred to above, the Servicer or the Special Servicer, as relevant, will respond to the relevant entity in respect of such request within the time period specified under the relevant Finance Document regardless of whether it has received a direction from the Noteholders or not;
- (ii) the Servicer or the Special Servicer, as applicable, has not received a direction from the Noteholders sufficient to enable it to give effect to any such directions within the requisite time period, the Servicer or the Special Servicer, as applicable, must respond in a negative manner to such request; and
- (iii) subsequently the Noteholders approve such request, the Servicer or the Special Servicer, as applicable, will notify the Issuer of the same.

The Servicer or, as applicable, the Special Servicer is and will be permitted to agree to any request by the Obligors to provide a consent if the provisions of the relevant Finance Document require such consent to be granted subject to certain conditions being satisfied and further provided that the Servicer or the Special Servicer, as applicable:

- (A) acting in accordance with the Servicing Standard, is satisfied that the relevant conditions have been met (the views of the Servicer or, as applicable, the Special Servicer prevailing in the event of a conflict); and
- (B) has regard to any rights of the Mezzanine Finance Parties under the Intercreditor Agreement.

Notwithstanding the above, the Servicer or, as applicable, the Special Servicer may agree to any proposed modification of or amendment to the terms of the Finance Documents in order to cure any ambiguity or mistake therein or correct or supplement any provisions therein which may be inconsistent with any other provisions therein, provided that, in each case, to do so would be in accordance with the Servicing Standard.

### ***AD HOC NOTEHOLDER COMMITTEE***

The Servicer or the Special Servicer, as applicable, may (but shall not be obliged to) form one or more ad hoc Noteholder committees (each such committee, an **Ad Hoc Noteholder Committee**) in order to allow the Servicer and/or Special Servicer, as applicable, to consult with the Noteholders on matters such as modifications, waivers and consents relating to the Issuer/Borrower Loans. Any costs of the Issuer with respect to such Ad Hoc Noteholder Committee will be a cost of the Issuer. The costs known by the Servicer or the Special Servicer, as applicable, relating to any such Ad Hoc Noteholder Committee will be fully disclosed to the relevant Noteholders by the Servicer in the Servicer Half Yearly Reports (subject to receipt of the required information from the Special Servicer if, at the relevant time, the Issuer/Borrower Loans are Specially Serviced Loans). The Servicer or Special Servicer, as applicable, may require the members of the Ad Hoc Noteholder Committee to enter into appropriate confidentiality arrangements where required by law and/or the Servicing Standard.

The Servicer or Special Servicer, as applicable, may agree, on behalf of the Issuer, that the Issuer will compensate the advisors to any Ad Hoc Noteholder Committee subject to the following requirements:

- (a) the Servicer or Special Servicer, as applicable, has determined, in its reasonable judgement and taking into account the Servicing Standard, that it would be beneficial to engage directly with the Noteholders in connection with any potential modification, waiver or consent relating to the Issuer/Borrower Loans;
- (b) Noteholders that are members of such Ad Hoc Noteholder Committee have requested that the Servicer or Special Servicer, as applicable, agrees on behalf of the Issuer that the Issuer will compensate the advisors to the Ad Hoc Noteholder Committee for their reasonable fees;
- (c) the Servicer or Special Servicer, as applicable, has determined that causing the Issuer to compensate the advisors to the Ad Hoc Noteholder Committee would be consistent with the Servicing Standard;
- (d) the Servicer or Special Servicer, as applicable, has proposed an advisor who is independent from the relevant Obligors and has been selected as a result of a competitive bid process from at least three reputable potential advisors with relevant experience, with the selected advisor providing the lowest bid, and the Ad Hoc Noteholder Committee has agreed to the

appointment of such advisor (no response from the Ad Hoc Noteholder Committee to such proposal will be deemed to be acceptance by the Ad Hoc Noteholder Committee of such proposal);

- (e) the Servicer or Special Servicer, as applicable, is satisfied that members of the Ad Hoc Noteholder Committee represent at least 50 per cent. of all the Notes based upon the Principal Amount Outstanding;
- (f) at least  $66\frac{2}{3}$  per cent. of the Principal Amount Outstanding of the members of the Ad Hoc Noteholder Committee have approved the payment of such expenses; and
- (g) such proposal to approve expenses presented for vote to the relevant Ad Hoc Noteholder Committee provides for no more than one legal advisor and one financial advisor for such Ad Hoc Noteholder Committee.

### ***PROPERTY PROTECTION LOANS***

The Finance Documents oblige the Obligors to pay certain amounts to third parties, such as insurers and persons providing services in connection with the operation of the Properties.

If an Obligor fails to do so and:

- (a) the amounts standing to the credit of the Obligor Accounts in respect of which the Obligor Security Trustee has sole signing rights are insufficient or not available or able to be applied for such purpose; and
- (b) the Servicer or (after the occurrence of a Special Servicing Transfer Event) the Special Servicer determines that it would be in the better interest of the Issuer, as lender, that such amounts were paid as opposed to such amounts not being paid, taking into account the relevant circumstances, which will include, but not be limited to, the related risks that the Issuer would be exposed to if such amounts were not paid and whether any payments made by or on behalf of the Issuer would ultimately be recoverable from the Obligors,

then having identified the amount of the relevant shortfall, the Servicer or, if the Issuer/Borrower Loans are then designated Specially Serviced Loans, the Special Servicer, will request the Issuer Cash Manager (on behalf of the Issuer) to request an Issuer Liquidity Loan relating to the amounts (after taking into account funds available for drawing from the Issuer Liquidity Reserve Account but excluding amounts available pursuant to the Issuer Liquidity Facility Agreement) required to pay any Property Protection Shortfall (a **Property Protection Shortfall Amount**) under the Issuer Liquidity Facility by advising the Issuer Cash Manager (copying the Issuer and the LF Agent) of the relevant Property Protection Shortfall (including details of the amount, relevant third party, reason for drawing and date payment of such amount will be made to the relevant third party) (subject to the Issuer being able to request an Issuer Liquidity Loan relating to a Property Protection Shortfall Amount for such amount).

The proceeds of such drawing will be paid to (or as directed by) the Servicer or (after the occurrence of a Special Servicing Transfer Event) the Special Servicer and the Servicer or the Special Servicer (as applicable) will use such amounts to make payment to the relevant third party.

The Servicer or, for so long as the Issuer/Borrower Loans are Specially Serviced Loans, the Special Servicer, as applicable, shall use all reasonable endeavours to ensure that all amounts paid by it under this section are, in addition to all other sums then due under the Finance Documents, recovered from the Obligors under the Finance Documents.

If the Servicer or the Special Servicer subsequently recovers any amount of any amounts paid by it under this section from any Obligor, the Servicer or the Special Servicer (as applicable) will promptly pay such amount to the Issuer by depositing the same to the Issuer Transaction Account or, following the service of an IST Notice, to such account as the Issuer Security Trustee may direct.

### ***ENFORCEMENT OF THE OBLIGOR SECURITY***

Following the notification of the occurrence of an Obligor Event of Default, the Servicer or, as applicable, the Special Servicer will be required to determine the optimal strategy to maximise recoveries under the Issuer/Borrower Loans in accordance with the Servicing Standard (which strategy may include commencing enforcement of the Obligor Security). Following a Special Servicing Transfer Event, such strategy may also include the sale by the Special Servicer of the interests of the Issuer in the Issuer/Borrower Loans, provided that, *inter alia*:

- (a) the Special Servicer determines that a sale of the Issuer/Borrower Loans is the most appropriate course of action consistent with the Servicing Standard;
- (b) notice of the intention to sell the Issuer/Borrower Loans is delivered to the Issuer, the Obligor Security Trustee and the Issuer Security Trustee;
- (c) any such sale is not effected (in whole or in part) by a sub-participation of, declaration of trust over or sub-contract of the rights, benefit, title and interest of the Issuer in relation to the Issuer/Borrower Loans; and
- (d) in the event the Special Servicer effects a sale of the Issuer/Borrower Loans, the Special Servicer shall treat the purchase price received by the Issuer as if it were the proceeds of enforcement of the Obligor Security and shall allocate such purchase price in accordance with the priority of payments that would have applied to the Obligor Security enforcement proceeds received pursuant to the Finance Documents.

Upon the Special Servicer determining that it is unlikely that further Liquidation Proceeds or other amounts will be received or recovered in respect of the Issuer/Borrower Loans, the Special Servicer will be required to make a Final Recovery Determination and to notify the amount thereof to the Rating Agency, the Servicer, the Issuer, the Issuer Security Trustee and the Issuer Cash Manager.

A **Final Recovery Determination** means a determination by the Special Servicer that there has been a recovery of all the Liquidation Proceeds and other amounts that, in the Special Servicer's judgement, will ultimately be recoverable with respect to the Issuer/Borrower Loans, such judgement to be exercised in accordance with the Servicing Standard.

The Servicer will not have any right or the obligation to arrange for the sale of the Issuer/Borrower Loans or the Obligor Security on behalf of the Issuer.

### ***REPORTING***

#### ***Servicer Half Yearly Reports***

Pursuant to the terms of the Servicing Agreement, the Servicer is and will be required to prepare a report (the **Servicer Half Yearly Report**) with, *inter alia*, the following information in respect of each Loan Interest Period and the payments made by the Issuer on the corresponding Note Interest Payment Date:

- (a) "CREFC E-IRP Loan Set-up File", setting out, among other things, the majority of loan-level information, including cut-off balance, original mortgage rate, maturity date and general payment information;
- (b) "CREFC E-IRP Loan Periodic Update File", setting out, among other things, half yearly remittances on the Issuer/Borrower Loans as well as the tracking of both scheduled and unscheduled payments on the Issuer/Borrower Loans;
- (c) "CREFC E-IRP Property File", setting out, among other things, information regarding the Properties, including property name, address and identification number;
- (d) "CREFC E-IRP Servicer Watchlist Criteria and Servicer Watchlist File", setting out, among other things, details of any event that would cause the Issuer/Borrower Loans to be included on the servicer watchlist;
- (e) "ECB Loan Level Data Reporting Template for CMBS – October 2012", other than the information under the tab referred to as "bond information";
- (f) "Bank of England Loan Level Data – Reporting Template for standalone CMBS";
- (g) a report detailing covenant compliance following delivery at the relevant time of a Compliance Certificate pursuant to the terms of the Issuer/Borrower Loan Agreement;
- (h) if the Issuer/Borrower Loans are Specially Serviced Loans, a report from the Special Servicer setting forth the actions taken by the Special Servicer in relation to the Issuer/Borrower Loans during the previous Note Interest Period;
- (i) if relevant, details of the disposal of any Property and any other information that is deemed to be material in respect of any Property to the extent such information is available to the Servicer or Special Servicer, as the case may be, as a direct result of performing their express duties under the Servicing Agreement;
- (j) if relevant, a report setting forth, among other things, the original and revised terms, as applicable, of the Issuer/Borrower Loans, as of the Closing Date and as of the related Loan Interest Period on the Loan Interest Payment Date immediately following any modification of the Issuer/Borrower Loans;
- (k) if relevant, a report setting forth, among other things, the amount of Liquidation Proceeds and liquidation expenses in connection with the liquidation of the Issuer/Borrower Loans on the Loan Interest Payment Date following a liquidation of the Issuer/Borrower Loans; and
- (l) the email address of the Servicer to which requests for copies of the Finance Documents and the Obligor Transaction Documents may be delivered.

The reports identified in paragraphs (a) to (d) above (together, the **CREFC European Investor Reporting Package**) are required to be in the form prescribed in the standard "European Investor Reporting Package" published by the Commercial Real Estate Finance Council Europe from time to time (formally and commonly known as the CREFC – Europe Investor Reporting Package (**CREFC-Europe E-IRP**) (or as modified to take into account any changes for properties located in the United Kingdom)) and are required to be in spreadsheet format appended to the report.

Following the occurrence of a Trigger Event, the Servicer will make available to Noteholders or potential Noteholders, without any need for any proof of noteholding, the most recent Valuation.

The Servicer shall, within eight Business Days after each Note Interest Payment Date, deliver to the Issuer Cash Manager the Servicer Half Yearly Report for the immediately preceding Note Interest Period. The Issuer Cash Manager will arrange for such report to be published as required under the terms of the Issuer Cash Management Agreement.

#### *Disclosable information*

Subject to the provisions of the Issuer/Borrower Loan Agreement, for so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange, if the Servicer or, as applicable, the Special Servicer becomes aware of any information relating to the Issuer/Borrower Loans, the Obligor Security or the Property that the Servicer or, as applicable, the Special Servicer reasonably determines is likely to have a material impact on the value of the Issuer/Borrower Loans or any of the Properties and which is not, to the Servicer's or, as applicable, the Special Servicer's knowledge, already publicly available information, to the extent that the Servicer or, as applicable, the Special Servicer has actual knowledge of the same (such information being **Disclosable Information**), then where the Servicer or, as applicable, the Special Servicer determines that the same should be disclosed pursuant to the terms of the Servicing Agreement, it will be required to:

- (a) prepare a concise summary of such Disclosable Information and provide such summary to the Issuer for its execution along with a statement as to whether or not the Servicer or, as applicable, the Special Servicer considers that the disclosure of the Disclosable Information would adversely affect negotiations being conducted on behalf of the Issuer in relation to the Issuer/Borrower Loans or the Properties and file such executed summary in a regulated information service (the **Regulatory Information Service**) filing or equivalent filing, if any, which complies with the requirements of the relevant exchange on which the Notes are listed and applicable law; and
- (b) no later than the Business Day following the date of the disclosure to the Regulatory Information Service, publish on Bloomberg L.P. and the Irish Stock Exchange any such information which is disclosed to the Regulatory Information Service.

#### *Annual Review*

The Servicer will be required to undertake an annual review of the Issuer/Borrower Loans and may conduct more frequent reviews if it has cause for concern as to the ability of the Obligors to meet their obligations under the Finance Documents. Any such review (annual or otherwise) will be at the cost and expense of the Issuer and may, but will not be required to, include an inspection of the Properties and will include an analysis of the cashflow arising from the Properties.

#### *Note Maturity Report*

On or before the date falling 12 months prior to the Note Final Maturity Date, the Special Servicer will, where the Issuer/Borrower Loans remain outstanding and where, in its opinion (acting in accordance with the Servicing Standard), all recoveries then anticipated by the Special Servicer with respect to the Issuer/Borrower Loans are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Note Final Maturity Date, deliver a report (the **Note Maturity Report**) no later than 45 days after the date falling 12 months prior to the Note Final Maturity Date in draft form, to the Issuer (which must promptly deliver the same to the Noteholders), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent (such report to provide a reasonable level of analysis) as to a selection of proposals and/or strategies to enable the maximisation of recoveries in respect of the Issuer/Borrower Loans.



At least one proposal provided by the Special Servicer must be that the Issuer Security Trustee, at the cost of the Issuer, will engage an independent financial adviser or a receiver to advise the Issuer Security Trustee as to the enforcement of the Issuer Security. The Issuer, with the assistance of the Special Servicer, will publish a draft of the Note Maturity Report with the Regulatory Information Service.

Upon receipt of the draft Note Maturity Report, the Note Trustee will convene a meeting of all Noteholders (at the cost of the Issuer) to discuss the various proposals set out in the draft Note Maturity Report. If required by the Note Trustee, the Special Servicer will be required to attend and be available to speak at such meeting.

Promptly following any such meeting (and, in any event, within ten Business Days thereof), the Special Servicer will be required to reconsider and modify the Note Maturity Report (taking into account the discussions at the meeting of Noteholders held in relation thereto) and shall promptly deliver such final Note Maturity Report to the Issuer (which must promptly deliver the same to the Noteholder), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent.

Upon receipt of the final Note Maturity Report, the Note Trustee will convene a meeting of the Noteholders (at the cost of the Issuer) where the Noteholders will be required to select their preferred option among the proposals set out in the final Note Maturity Report.

If a proposed strategy of the Special Servicer as set out in the final Note Maturity Report is approved at a meeting of the Noteholders (acting as a single Class) by way of Ordinary Resolution, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard. If no option presented to Noteholders in the Note Maturity Report receives the approval of the Noteholders by Ordinary Resolution (acting as a single Class) at such meeting, the Issuer Security Trustee shall be deemed directed by all the Noteholders to appoint a receiver to realise the Issuer Security as soon as practicable upon being able to do so.

### ***SPECIAL SERVICING***

Each of the following events shall constitute a **Special Servicing Transfer Event** in relation to the Issuer/Borrower Loans:

- (a) an Obligor Default on the Loan Final Maturity Date;
- (b) any payment on the Issuer/Borrower Loans being overdue following the expiry of the relevant Payment Cure Election Period;
- (c) an Insolvency Event occurs in relation to any of the Obligors;
- (d) the Servicer or the Special Servicer receiving notice of the enforcement of or realisation of any Obligor Security; and
- (e) any other Obligor Default (or default however described) occurs or is, in the Servicer's opinion (formed in accordance with the Servicing Standard), imminent under the Issuer/Borrower Loan Agreement which, in the opinion of the Servicer, is not likely to be cured within 30 days of the occurrence of the relevant default (or, if a cure period applies to such default within 30 days of the end of the applicable cure period) and which would, in the opinion of the Servicer (formed in accordance with the Servicing Standard) be likely to have a material adverse effect on the ability of the Issuer to satisfy its payment obligations in respect of the Notes on a timely basis.

In the event the Servicer determines that a Special Servicing Transfer Event has occurred, the Servicer will be required, as soon as is reasonably practicable, to give written notice thereof to the Issuer (which must promptly notify the Noteholders), the Issuer Security Trustee, the Special Servicer, the Borrower, the Rating Agency, the LF Agent and the Note Trustee, whereupon the Issuer/Borrower Loans will become **Specially Serviced Loans**.

Not less than 90 days prior to the Loan Final Maturity Date, the Servicer will be required to assess the likelihood that the Issuer/Borrower Loans will be repaid in full on the Loan Final Maturity Date and will be required to notify the Special Servicer of the result of its assessment. In the event that the Servicer notifies the Special Servicer that there is a material risk that the Issuer/Borrower Loans will not be repaid in full on or before the Loan Final Maturity Date (or it is unable to make an informed assessment of the likelihood of the Issuer/Borrower Loans being repaid in full on or before the Loan Final Maturity Date):

- (i) on and from the date falling 30 days prior to the Loan Final Maturity Date, each of the Servicer and the Special Servicer will be required to make preparations to enable the transfer of the servicing of the Issuer/Borrower Loans to the Special Servicer in the event that a Special Servicing Transfer Event occurs on the Loan Final Maturity Date; and
- (ii) the Special Servicer will be required to consider possible strategies with respect to the Issuer/Borrower Loans in the event the Issuer/Borrower Loans are not repaid in full on the Loan Final Maturity Date.

Upon the Issuer/Borrower Loans becoming Specially Serviced Loans, the Special Servicer will be required to assume its special servicing duties under the Servicing Agreement and the obligations of the Servicer to provide the services (save for the Retained Services) under the Servicing Agreement will terminate (in each case until such time (if any) that the Issuer/Borrower Loans becomes a Corrected Loan). The Servicer will be required to deliver a copy of the Servicing File to the Special Servicer within five Business Days of the Issuer/Borrower Loans becoming Specially Serviced Loans and will be required to use reasonable efforts to provide the Special Servicer within ten Business Days of any request of the Special Servicer, with all information, documents (or copies thereof) and records relating to the Issuer/Borrower Loans in the Servicer's possession or control or otherwise available to the Servicer and reasonably requested by the Special Servicer to enable it to perform its special servicing duties.

Where the Special Servicing Transfer Event occurs on the Loan Final Maturity Date, the Servicer and the Special Servicer will be required to implement the preparations made in accordance with paragraph (i) above.

The Special Servicer must provide the Servicer with all information reasonably requested by the Servicer which is required by the Servicer for it to comply with its continuing obligations under the Servicing Agreement.

Upon discontinuance of any event which would constitute a monetary Special Servicing Transfer Event for one Loan Interest Period and the facts giving rise to any other Special Servicing Transfer Event have ceased to exist, and no other matter exists which would give rise to the Issuer/Borrower Loans becoming Specially Serviced Loans, the Special Servicer will be required to give written notice thereof to the Issuer, the Issuer Security Trustee, the Issuer Cash Manager, the Servicer, the Obligors, the Rating Agency and the Noteholders, whereupon the Specially Serviced Loans will become **Corrected Loans**. In such circumstances, the Special Servicer's obligation to perform the services (other than the Retained Services) and its right to receive the Special Servicing Fees will terminate (in each case, until such time (if any) that the Issuer/Borrower Loans once more become Specially Serviced Loans) and the obligations of the Servicer to perform all of the services will resume.

## **VALUATIONS**

The Servicer or, if at the relevant time the Issuer/Borrower Loans are Specially Serviced Loans, the Special Servicer, must obtain or procure obtaining a valuation (a **Servicer Valuation**) of the Property in the following circumstances:

- (a) a Desktop Valuation (as required under the Issuer/Borrower Loan Agreement) within 15 Business Days of each anniversary of the Closing Date;
- (b) a Full Valuation if a Trigger Event is continuing for 12 months and a valuation is requested (as required under the Issuer/Borrower Loan Agreement);
- (c) a Full Valuation within 45 Business Days of the second anniversary of the date of delivery of the most recent Full Valuation (the first such date of delivery being the Closing Date) (as required under the Issuer/Borrower Loan Agreement);
- (d) if a Trigger Event is continuing for 12 months and a valuation is requested by the Obligor Security Trustee, on the instructions of the Issuer, a Full Valuation (as required under the Issuer/Borrower Loan Agreement);
- (e) a Full Valuation in order to confirm satisfaction with the Loan to Value Ratio condition if the Obligors intend to incur additional Permitted Financial Indebtedness (as required under the Issuer/Borrower Loan Agreement); and
- (f) following the occurrence of a Trigger Event, which is continuing, a full valuation if requested by an Ordinary Resolution of the Noteholders.

The Issuer must convene a meeting of Noteholders to consider an Ordinary Resolution as referred to in paragraph (f) above if requested by holders of Notes outstanding constituting not less than 10 per cent. in aggregate of the Principal Amount Outstanding of the Notes, provided that such requesting Noteholders have entered into arrangements reasonably satisfactory to the Issuer (with the assistance of the Servicer or the Special Servicer, as applicable) to pay the costs of such valuation and the costs of convening the meeting of Noteholders.

Following receipt by the Servicer or the Special Servicer, as applicable, of the final executed copy of a Valuation, it shall deliver a copy of such valuation to the Issuer Cash Manager to be made publicly available on its internet website.

## **SERVICING FEES AND SPECIAL SERVICING FEES**

### *Servicing Fee*

A servicing fee (the **Servicing Fee**) equal to 0.025 per cent. per annum of the outstanding principal balance of the Issuer/Borrower Loans on the first day of the relevant Loan Interest Period ending on, or immediately prior to, such Note Interest Payment Date (plus VAT if applicable) is and will be payable by the Issuer to the Servicer on each Note Interest Payment Date in accordance with the relevant Issuer Payment Priorities and the terms of the Servicing Agreement. In addition, the Issuer will pay to the Servicer any amounts due from the Servicer to the Property Adviser.

### *Special Servicing Fee*

If the Issuer/Borrower Loans are Specially Serviced Loans at any time during a Note Interest Period, then on the Note Interest Payment Date falling at the end of such Note Interest Period a special servicing fee (the **Special Servicing Fee**) equal to 0.075 per cent. per annum of the outstanding

principal balance of the Issuer/Borrower Loans on the first day of the relevant Loan Interest Period ending on, or immediately prior to, such Note Interest Payment Date (plus VAT if applicable) will be payable by the Issuer to the Special Servicer on each relevant Note Interest Payment Date in accordance with the relevant Issuer Payment Priorities and the terms of the Servicing Agreement.

The Special Servicing Fee will be required to be calculated on the basis of the actual number of days in a Loan Interest Period in which the Issuer/Borrower Loans are Specially Serviced Loans will be required to be paid in addition to the Servicing Fee and will cease to accrue on the date on which the Issuer/Borrower Loans become Corrected Loans. No Special Servicing Fees will be payable in respect of any preparatory work conducted by the Special Servicer if the Issuer/Borrower Loans do not become Specially Serviced Loans or if the Issuer/Borrower Loans are repaid in full on the relevant Loan Final Maturity Date.

Both the Servicing Fee and the Special Servicing Fee will cease to accrue if the Issuer/Borrower Loans are repaid in full or a Final Recovery Determination is made with respect to the Issuer/Borrower Loans. In addition, the Issuer will pay to the Special Servicer any amounts due from the Special Servicer to the Property Adviser.

#### *Liquidation Fee*

The Issuer will be required to pay to the Special Servicer (if the Issuer/Borrower Loans are Specially Serviced Loans) on any applicable Note Interest Payment Date a liquidation fee (the **Liquidation Fee**) equal to 0.25 per cent. of the Liquidation Proceeds (in each case, plus VAT, if applicable) received by the Issuer during the Loan Interest Period ending immediately prior to such Note Interest Payment Date. No Liquidation Fee will be payable by the Issuer to the Special Servicer if:

- (a) the Issuer/Borrower Loans were Specially Serviced Loans for a period fewer than 30 days; or
- (b) the sale (whether directly or indirectly) of the Issuer/Borrower Loans or any part of a Property or any Obligor was made to the Special Servicer or an Affiliate of the Special Servicer (unless the purchase price paid was the highest offer received (provided, however, that a lower bid may be accepted if, in the judgement of the Special Servicer and in accordance with the Servicing Standard, the acceptance of a lower bid would be in the best interests of the Noteholders) and reflective of an arm's length transaction occurring as a result of a public marketing effort).

The amount of any Liquidation Fee will be required to be reduced by the aggregate amount of the Workout Fees paid to the Special Servicer in respect of the Issuer/Borrower Loans.

**Liquidation Proceeds** means the proceeds of sale, net of costs, expenses and taxes of sale, if any, of the Issuer/Borrower Loans, the Obligors, the Properties or any part of the Properties (subject to the Special Servicer having had a material role in the sale of such Property or part of such Property) following the enforcement of the Obligor Security.

#### *Workout Fee*

The Issuer will be required to pay to the Special Servicer on any applicable Note Interest Payment Date a workout fee (the **Workout Fee**) where the Issuer/Borrower Loans are Specially Serviced Loans and subsequently become Corrected Loans. The Workout Fee will be an amount equal to 0.25 per cent. (in each case, plus VAT, if applicable) of each collection of interest and principal received on the Issuer/Borrower Loans for so long as they remain Corrected Loans. However, no Workout Fee will be payable if the Special Servicing Transfer Event which gave rise to the Issuer/Borrower Loans becoming Specially Serviced Loans ceased to exist within 30 days of the

Issuer/Borrower Loans becoming Specially Serviced Loans and no other Special Servicing Transfer Event occurred while the Issuer/Borrower Loans were Specially Serviced Loans.

On a Note Interest Payment Date on which the Issuer/Borrower Loans remain Corrected Loans, the amount of the Workout Fee (if any) payable on that date to the Special Servicer will be the lesser of:

- (a) the amount of the Workout Fee that would (but for this adjustment) have been payable to the Special Servicer on that date; and
- (b) an amount (not to be less than zero) equal to (i) the aggregate amount of all Workout Fees that would (but for this adjustment) have been paid to the Special Servicer on the Note Interest Payment Dates (excluding the relevant Note Interest Payment Date) following the Issuer/Borrower Loans becoming a Corrected Loan, less (ii) the amount of the Restructuring Fee paid to the Special Servicer pursuant in connection with any modification, waiver, amendment or consent which resulted in the Issuer/Borrower Loans becoming a Corrected Loan.

#### *Restructuring Fee*

In addition to the payment of the Servicing Fee, the Servicer shall also be entitled to receive a fee, in an amount which it agrees with the Obligors to the extent permissible in accordance with the terms of the Issuer/Borrower Loan Agreement, as remuneration for any action taken by the Servicer in respect of any request for a modification, amendment, waiver or consent with respect to the Issuer/Borrower Loans prior to the occurrence of a Special Servicing Transfer Event (the **Restructuring Fee**), provided that:

- (a) its receipt of such Restructuring Fee would be consistent with the Servicing Standard;
- (b) such Restructuring Fee could be recovered from the Obligors or their Affiliates without resulting in any shortfall in other amounts due under the terms of the Issuer/Borrower Loans; and
- (c) the payment of such fee would not result in any shortfall in current interest due on the Issuer/Borrower Loans.

The Servicer must provide details of each agreed Restructuring Fee to the Issuer (which must promptly notify the Noteholders based upon a draft notice prepared by the Servicer), the Issuer Security Trustee and the Issuer Cash Manager promptly upon agreeing the same.

In no circumstances will the Issuer be liable to pay a Restructuring Fee to the Servicer if it has not first been recovered from the Obligors or any other person (other than a party to the Issuer Transaction Documents).

#### *Fees ceasing to accrue*

If a Servicer Event of Default has occurred and is continuing unwaived 30 days after a Servicer Event of Default Notice has been given to the Servicer or Special Servicer, as applicable, the Servicing or Special Servicing Fee, as applicable, will cease to accrue on and from the date falling 30 days after the date of such Servicer Event of Default Notice.

If a Reporting Failure Event has occurred and a Reporting Failure Termination Notice has been given to the Servicer, the Servicing Fee shall cease to accrue on and from the date falling 30 days after the date of such Reporting Failure Termination Notice.

## **TERMINATION OF THE APPOINTMENT OF THE SERVICER**

### *Servicer Event of Default*

Pursuant to the terms of the Servicing Agreement, if the Issuer or the Issuer Security Trustee becomes aware that a Servicer Event of Default has occurred:

- (a) the Issuer and/or the Issuer Security Trustee, as applicable, shall promptly give notice in writing of the same (a **Servicer Event of Default Notice**) to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) copied to the Issuer, the Note Trustee, the Noteholders, the LF Agent and the Servicer or Special Servicer, as applicable; and
- (b) unless the Issuer and/or the Issuer Security Trustee is directed by the Noteholders (acting as a single Class by an Ordinary Resolution) within 21 days of the date of the relevant Servicer Event of Default Notice to waive the relevant Servicer Event of Default, the Issuer and/or the Issuer Security Trustee shall, not later than 30 days after the date of the Servicer Event of Default Notice, give written notice (a **Servicer Termination Notice**) to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) that its appointment under the Servicing Agreement is to be terminated. Each Servicer Termination Notice shall be copied to the Issuer, the Note Trustee and the Noteholders, and the Servicer or Special Servicer, as applicable; and
- (c) in addition, the Issuer will publish any Servicer Event of Default Notice or any Servicer Termination Notice on Bloomberg L.P. and on the Irish Stock Exchange.

The occurrence of, *inter alia*, any of the following events with respect to either the Servicer or the Special Servicer will constitute an event of default (a **Servicer Event of Default**) with respect to the Servicer or Special Servicer, as applicable:

- (i) provided sufficient funds are available, and only as a result of negligence, wilful default, dishonesty or fraud of the Servicer or the Special Servicer, and only as a result of negligence, wilful default, dishonesty or fraud of the Servicer or the Special Servicer, the Servicer or the Special Servicer fails to procure the transfer of sums required to be transferred on any Loan Interest Payment Date from the relevant Obligor Account to the Issuer Transaction Account in the time or otherwise in the manner required by the terms of the Servicing Agreement;
- (ii) the Servicer or the Special Servicer, as applicable, defaults in making payment due and payable by it under the Servicing Agreement and such default continues for a period of five Business Days after the earlier of (a) the Servicer or the Special Servicer, respectively, becoming aware of such default, and (b) receipt by the Servicer or the Special Servicer, respectively, of written notice by the Issuer, or, after the receipt of a Note Acceleration Notice, the Issuer Security Trustee requiring the same to be remedied;
- (iii) the Servicer or the Special Servicer fails to observe or perform in any material respect any other of its covenants or agreements or the material breach of its representations and warranties, and which failure will continue to be unremedied for a period of 30 days after the date on which written notice of such failure is given to the Servicer or the Special Servicer, as applicable, by the Issuer or the Issuer Security Trustee, as applicable (other than a failure to pay under paragraphs (i) or (ii) above or, in the case of the Servicer, a Reporting Failure Event), or such longer time (but no longer than 90 days) as may reasonably be necessary to

cure the relevant breach, provided that the Servicer or the Special Servicer is proceeding with all the due diligence required to cure such breach;

- (iv) except in the case of a Permitted Reorganisation, an order is made or an effective resolution passed for winding up the Servicer or the Special Servicer;
- (v) except in the case of a Permitted Reorganisation, the Servicer or the Special Servicer ceases to own the whole of its business or ceases to own the whole or substantially the whole of its commercial mortgage servicing business;
- (vi) except in the case of a Permitted Reorganisation, the Servicer or the Special Servicer stops payment of its debts or the Servicer or the Special Servicer is deemed unable to pay its debts, within the meaning of the insolvency laws applicable to such entity, or becomes unable to pay its debts as they fall due or otherwise becomes insolvent (any such event, a **Servicer Insolvency Event**);
- (vii) except in the case of a Permitted Reorganisation, proceedings are initiated (including the presentation of a petition or filing of documents with the court for administration (other than proceedings for dissolution or winding-up which are contested in good faith and discharged within 60 days)) against the Servicer or the Special Servicer under any applicable laws concerning liquidation, administration, insolvency, composition or reorganisation (save where such proceedings are frivolous or vexatious or are being contested in good faith by the Servicer or the Special Servicer) or an encumbrancer will take possession of all or a substantial part of the undertaking or assets of the Servicer or the Special Servicer in respect of a secured debt exceeding £750 (or its equivalent in other currencies) or more and it will not be discharged or stayed within 30 days or a distress or execution or other process will be levied or enforced upon or sued out against all or a substantial part of the undertaking or assets of the Servicer or the Special Servicer in respect of a judgment debt of £750 (or its equivalent in other currencies) or more and such distress, execution or other process will not be discharged or stayed within 60 days or 90 days if such proceedings cannot be discharged within a 60-day period and the Servicer or Special Servicer, as applicable, has diligently pursued, and continues to pursue, such discharge during such 60-day period;
- (viii) if it becomes unlawful for the Servicer or the Special Servicer to perform any material part of the services required to be performed by it under the Servicing Agreement except in circumstances where no other person could perform such material part of such services lawfully; or
- (ix) the Servicer or the Special Servicer pays any part of its remuneration under the Servicing Agreement to any Noteholder in connection with securing its appointment as such.

**Permitted Reorganisation** means a reorganisation or restructuring, the terms and the relevant surviving entity of which notification has been provided to the Issuer Security Trustee and in relation to which such entity demonstrates to the satisfaction of the Issuer Security Trustee that it will, following the completion of the reorganisation or restructuring, not be insolvent, and will have assumed all of the liabilities and obligations of the Servicer or the Special Servicer, as applicable, provided that the surviving party meets the requirements with respect to successors contained in the relevant Issuer Transaction Document.

#### *Reporting Failure Event*

Pursuant to the terms of the Servicing Agreement, if the Issuer or the Issuer Security Trustee becomes aware of the occurrence of a Reporting Failure Event (provided that the Issuer Security Trustee has no obligation to monitor the same), then:

- (a) the Issuer Security Trustee shall promptly give notice in writing of the same (a **Reporting Failure Event Notice**) to the Servicer, copied to the Issuer, the Note Trustee, the Noteholders and the Special Servicer; and
- (b) if the Issuer Security Trustee is directed by the Noteholders (acting as a single Class by Ordinary Resolution) within 21 days of the date of the relevant Reporting Failure Event Notice to terminate the appointment of the Servicer, the Issuer Security Trustee shall, not later than 30 days after the date of the Reporting Failure Event Notice and provided such Reporting Failure Event is continuing, give written notice (a **Reporting Failure Termination Notice**) to the Servicer (copied to the Issuer, the Noteholders, the LF Agent and the Special Servicer) that its appointment under the Servicing Agreement is to be terminated.

A **Reporting Failure Event** will occur where the Servicer fails to publish or deliver a complete Servicer Half Yearly Report or any other report required to be published by the Servicer pursuant to the Servicing Agreement within ten Business Days of the date on which such report was required to be published or delivered (unless the failure to publish the relevant report in full resulted from the failure of the Special Servicer, the Issuer Cash Manager or the Obligors to deliver the required information to the Servicer in accordance with the terms of the Servicing Agreement, the Issuer Cash Management Agreement or the Issuer/Borrower Loan Agreement, as applicable, or is caused by any failure or delay in publishing the report by Bloomberg L.P. after it has been provided with the report by the Servicer).

#### *Noteholder termination*

Pursuant to the terms of the Servicing Agreement, the appointment of the Servicer and the Special Servicer can also be terminated at any time pursuant to a direction of the Noteholders (acting as a single Class by an Ordinary Resolution). The Noteholders can specify, in relation to a termination of the Special Servicer, that no replacement Special Servicer is required to be appointed.

#### *Retirement of the Servicer or the Special Servicer*

Pursuant to the terms of the Servicing Agreement, each of the Servicer and the Special Servicer is permitted to terminate its appointment under the Servicing Agreement by giving written notice (a **Retirement Notice**) to each of the Issuer, the Issuer Security Trustee, the Servicer (in the case of notice by the Special Servicer) and the Special Servicer (in the case of notice by the Servicer), in which event the appointment of the Servicer or Special Servicer shall terminate on the later date of (i) three months after the date of the relevant Retirement Notice, and (ii) the date on which the requirements of the conditions set out below have been satisfied.

#### *Conditions to be met prior to termination/retirement of Servicer/Special Servicer*

Regardless of the reason, the termination or resignation of the appointment of the Servicer or, as applicable, the Special Servicer (other than where terminated by an Ordinary Resolution of the Noteholders specifying that no replacement Special Servicer is to be appointed), will only be permitted to take effect where a successor Servicer or, as applicable, a successor Special Servicer is appointed by the Issuer and the following conditions are met (subject to the Issuer Security Trustee's ability to waive such conditions):

- (a) that (to the extent that the Notes are, at the relevant time, rated by S&P) has a servicer ranking of (at least) average from S&P;
- (b) that, in all other circumstances, has a servicer rating (as opposed to a corporate rating) from Fitch Ratings Ltd (**Fitch**) or Moody's Investors Service Limited (**Moody's**) or a servicer ranking from S&P;



- (c) that has entered into a servicing agreement on substantially similar terms to the terms of the Servicing Agreement (save as to remuneration) and the other Issuer Transaction Documents to which the outgoing servicer is a party (if any);
- (d) if required by the Issuer Security Trustee, the Issuer has executed a supplemental deed to the Issuer Deed of Charge, and the incoming servicer has acceded thereto, in respect of the agreement under which the incoming servicer is appointed; and
- (e) the fee payable to any such successor Servicer or Special Servicer will not exceed the rate then generally payable to providers of commercial loan servicing services.

Upon the termination of its appointment, the Servicer or, as applicable, the Special Servicer will be required (subject to any legal or regulatory restrictions) to promptly deliver a copy of the Servicing File and all books and records relating to the Issuer/Borrower Loans to the successor Servicer or, as applicable, the Special Servicer and will be required to take such further lawful action as the Issuer or the Issuer Security Trustee may reasonably direct to enable such successor Servicer or, as applicable, the Special Servicer to perform its servicing duties.

### ***DELEGATION***

The Servicer and the Special Servicer are permitted to enter into sub-servicing agreements to provide for the performance by third parties of any or all of their respective liabilities hereunder, provided that, *inter alia*, they each use reasonable skill and care in the selection of any sub-servicer and include the details of the appointment of the sub-servicer and the terms of such appointment in the first Servicer Half Yearly Report to be published following such appointment. Notwithstanding the entry into of any sub-servicing arrangement, the Servicer and the Special Servicer will each remain responsible for the performance of its duties and obligations under the Servicing Agreement.

If any sub-servicing, sub-contracting or delegation arrangements result in the then current rating of any Notes assigned by any Rating Agency being downgraded (or placed on review for possible downgrade), then such sub-servicing arrangement shall be terminated.

The Servicer and the Special Servicer are also permitted to appoint and act on the opinion or advice of, or a certificate or any information obtained from, any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, insurance advisor, hedging advisor, financial advisor, securities dealer, investment bank, computer consultant, environmental consultant or other expert or professional advisor, provided that, *inter alia*, they each use reasonable skill and care in the selection of the foregoing and they each agree such fees and terms of engagement with such advisors as are reasonable, having regard to the circumstances and that they are in line with the then current market rates and (a) in the case of the appointment of any professional advisor to provide legal, accountancy, tax, valuation or insurance advice, include the details of the person so appointed and the fees payable in connection therewith in the next Servicer Half Yearly Report to be published following such appointment and (b) in all other cases, promptly following the relevant appointment, provide written notice to the Issuer, the Obligors, the Obligor Security Trustee, the Note Trustee, the Issuer Security Trustee and the Noteholders of the details of the person so appointed, an explanation of the reason for such appointment and the fees payable in connection therewith.

### ***PROPERTY ADVISER***

If a Trigger Event has occurred and is continuing for 12 months or more, the Servicer or the Special Servicer (as applicable) shall nominate an entity that is suitably qualified to perform the services outlined below to be appointed by the Issuer as an independent property adviser (the **Property Adviser**). The Noteholders must approve the entity to be appointed as Property Advisor prior to such appointment. Such approval can be granted by way of Ordinary Resolution of the Noteholders

acting as a single Class (the number of clear days' notice required to be given in advance of such Noteholder meeting pursuant to the Note Trust Deed can be reduced). The Servicer or the Special Servicer, as applicable, will be responsible for the costs and expenses of the Property Adviser.

The Property Adviser shall be engaged on market standard terms, including in respect of the rates to be paid to the Property Adviser. The appointment of the Property Adviser may be terminated (and the Property Adviser may be replaced by a suitably qualified independent entity on market terms) at any time by the Noteholders by way of Ordinary Resolution.

The Property Adviser shall:

- (a) review the annual business plan and leasing strategy proposed by the Obligors in consultation with the Servicer or Special Servicer (as applicable), the Asset Manager, the Facility Managers and the relevant Management Company;
- (b) highlight to the Servicer or Special Servicer (as applicable) any material objections and/or issues and make recommendations for any changes to the Property Portfolio, including any acquisitions, disposals, substitutions or developments; and
- (c) consult with the Servicer or Special Servicer (as applicable) in respect of any proposals by the Obligors to dispose, acquire or undertake Enhancement Capex in relation to any of the Properties after the appointment of the Property Adviser other than in accordance with its recommendations.

Where a Trigger Event is continuing, the Obligors shall not act contrary to the recommendations of the Servicer or Special Servicer (as applicable) (following consultation with the Property Adviser) in relation to paragraphs (a) to (c) above, unless such action is approved by the Noteholders by way of an Ordinary Resolution and, for the avoidance of doubt, where any Trigger Event has been cured or is no longer continuing, the Obligors shall not be obliged to act in accordance with recommendations of the Servicer or Special Servicer (as applicable) (following consultation with the Property Adviser or otherwise) in relation to paragraphs (a) to (c) above.

## ***GOVERNING LAW***

The Servicing Agreement is governed by, and construed in accordance with, English law.

## **B. NOTE TRUST DEED**

### ***GENERAL***

The Note Trustee will be appointed pursuant to the Note Trust Deed to represent the interests of the Noteholders. The Note Trustee will agree to hold the benefit of the covenants of the Issuer contained in the Note Trust Deed on behalf of itself and on trust for the Noteholders.

Among other things, the Note Trust Deed:

- (a) sets out when, and the terms upon which, the Note Trustee will be entitled or obliged, as the case may be, to take steps to enforce the Issuer's obligations under the Notes (or certain other Issuer Transaction Documents);
- (b) contains various covenants of the Issuer relating to repayment of principal and payment of interest in respect of the Notes, to the conduct of its affairs generally and to certain ongoing obligations connected with its issuance of the Notes;

- (c) provides for the remuneration of the Note Trustee, the payment of expenses incurred by it in the exercise of its powers and performance of its duties, provides for the indemnification of the Note Trustee against, among other things, liabilities, losses and costs arising out of the Note Trustee's exercise of its powers and performance of its duties and provides for the Note Trustee to be indemnified, secured or pre-funded to its satisfaction before exercising certain powers and discretions;
- (d) provides that the determinations of the Note Trustee will be conclusive and binding on the Noteholders;
- (e) sets out the extent of the Note Trustee's powers and discretions, including its rights to delegate the exercise of its powers or duties to agents, to seek and act upon the advice of certain experts and to rely upon certain documents, without further investigation;
- (f) sets out the scope of the Note Trustee's liability for any fraud, gross negligence or wilful default in connection with the exercise of its duties;
- (g) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of covenant by the Issuer or determine that a Note Event of Default, any event which (with the passage of time, the giving of notice, the making of any determination or any combination of any of the foregoing) could reasonably be expected to become a Note Event of Default (a **Potential Note Event of Default**) or Obligor Event of Default will not be treated as such;
- (h) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction any modification to the Conditions or to the terms of the Note Trust Deed or the other Issuer Transaction Documents; and
- (i) sets out the requirements for the organisation of Noteholder meetings.

The Note Trust Deed also contains provisions governing the retirement or removal of the Note Trustee and the appointment of a replacement Note Trustee. The Note Trustee may at any time and for any reason resign as the Note Trustee upon giving not less than three months' prior written notice to the Issuer. The holders of the Notes, acting by an Extraordinary Resolution, may together remove the Note Trustee from office, provided that all the provisions of the Note Trust Deed with respect to such removal (and subsequent replacement and appointment of a replacement Note Trustee) are complied with in full. No retirement or removal of the Note Trustee (or any replacement Note Trustee) will be effective until a trust corporation has been appointed to act as a replacement Note Trustee.

The appointment of a replacement Note Trustee will be made by the Issuer or, where the Note Trustee has given notice of its resignation and the Issuer has failed to make any such appointment by the expiry of the applicable notice period, by the Note Trustee itself.

### **C. ISSUER DEED OF CHARGE**

The Issuer will create security (the **Issuer Security**) over all of its assets and undertakings, in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge, including:

- (a) an assignment (and, to the extent not assignable, charge) of its rights in respect of the Issuer Charged Documents;
- (b) an assignment (and, to the extent not assignable, charge) all its right, interest and benefit in and to any Reports;

- (c) an assignment (or, to the extent not assignable, charge) of its right, title, interest and benefit in and to the Issuer's beneficial interest in the trust of the Obligor Security;
- (d) an assignment (or, to the extent not assignable, charge) of its rights in respect of any amount standing from time to time to the credit of the Issuer Accounts;
- (e) a first fixed charge in respect of its rights in respect of all shares, stocks, debentures, bonds or other securities and investments owned by it or held by a nominee on its behalf;
- (f) a first fixed charge in respect of all of its rights in respect of the benefit of all authorisations (statutory or otherwise) held in connection with its use of any Issuer Charged Asset and any compensation which may be payable to it in respect of those authorisations; and
- (g) a first floating charge of its assets not otherwise mortgaged, charged or assigned under the Issuer Deed of Charge.

The Issuer Security is held on trust by the Issuer Security Trustee for itself and on behalf of the other Issuer Secured Creditors in respect of any and all monies, obligations and liabilities and all other amounts due, owing, payable or owed by the Issuer to the Issuer Secured Creditors under the Notes and/or the Issuer Transaction Documents, and references to Issuer Secured Liabilities includes references to any of them (the **Issuer Secured Liabilities**) in accordance with and subject to the terms of the Issuer Deed of Charge.

The Issuer Deed of Charge:

- (i) regulates the relationships between the various Issuer Secured Creditors (including the Note Trustee on behalf of the Noteholders);
- (ii) incorporates market standard provisions whereby all Issuer Secured Creditors agree that the Issuer Security Trustee alone may enforce the Issuer Security;
- (iii) sets out the manner in which the Note Trustee may instruct the Issuer Security Trustee where the Issuer Security Trustee so requires or the Issuer Transaction Documents so require; and
- (iv) includes market standard limited recourse and non-petition provisions.

The Issuer Deed of Charge provides that the Issuer Security Trustee will enforce the Issuer Security by appointing an administrative receiver in respect of the Issuer if it has actual notice of:

- (A) an application for the appointment of an administrator in respect of the Issuer; or
- (B) the giving of a notice of intention to appoint an administrator in respect of the Issuer.

The Issuer Deed of Charge provides that if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes the Issuer Security Trustee will not be entitled to dispose of the Issuer Security unless:

- (I) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes;
- (II) the Issuer Security Trustee is of the opinion (after considering the advice of such professional advisers as are selected by the Issuer Security Trustee (at the cost of the Issuer)), that the funds receivable by the Issuer will not (or that there is a significant risk that

it will not) be sufficient to discharge in full in due course all amounts owing to: (i) the Noteholders and any amounts required to be paid *pari passu* with, or in priority to, the Notes; and (ii) once all the Noteholders (and all such higher ranking persons) have been repaid, to the remaining Issuer Secured Creditors; or

- (III) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy; and

in any event, the Issuer Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

**Issuer Charged Asset** means all the property of the Issuer which is subject to the Issuer Security.

**Issuer Charged Documents** means the Issuer Transaction Documents and the Finance Documents to which the Issuer is a party (other than the Note Trust Deed and the Issuer Deed of Charge) and all other contracts, documents, agreements and deeds to which it is, or may become, a party.

**Issuer Security Document** means the Issuer Deed of Charge and any deed or other document expressed to be supplemental thereto between, amongst others, the Issuer and the Issuer Security Trustee.

## **D. ISSUER CASH MANAGEMENT AGREEMENT**

### ***GENERAL***

The Issuer will appoint Elavon Financial Services DAC, acting through its UK branch as the Issuer Cash Manager pursuant to the Issuer Cash Management Agreement dated on or about the Closing Date. Pursuant to the Issuer Cash Management Agreement, the Issuer Cash Manager will undertake certain cash management functions on behalf of the Issuer.

### ***CASH MANAGEMENT***

As part of its duties under the Issuer Cash Management Agreement, the Issuer Cash Manager, *inter alia*:

- (a) will operate the Issuer Accounts and effect payments to and from the Issuer Accounts in accordance with the provisions of the relevant Issuer Transaction Documents;
- (b) will pay all the out-of-pocket expenses of the Issuer, which may be incurred by the Issuer (to the extent invoices and/or receipts are provided by the Issuer) or the Issuer Cash Manager on behalf of the Issuer; and
- (c) may (at the direction of the Issuer) procure that monies on deposit in the Issuer Liquidity Standby Account and the Issuer Liquidity Reserve Account will be invested in certain eligible investments in accordance with the provisions of the Issuer Cash Management Agreement.

### ***ISSUER PRE-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES***

On each Note Interest Payment Date prior to the enforcement of the Issuer Security and/or the delivery of a Note Acceleration Notice, amounts standing to the credit of the Issuer Transaction Account will be applied by the Issuer Cash Manager (on behalf of the Issuer) in accordance with the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities waterfall, as described in more detail in "Payment Priorities – Issuer Payment Priorities – Issuer Pre-Enforcement Pre-Acceleration Payment

*Priorities*", provided that any amounts raised by the Issuer by way of an issue of Further Notes, Replacement Notes or New Notes and standing to the credit of the relevant Issuer Account shall not be applied by the Issuer, or the Issuer Cash Manager on its behalf, in accordance with the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities and shall instead be advanced by the Issuer to the Borrower pursuant to the Issuer/Borrower Loan Agreement as an advance corresponding to such Further Notes, Replacement Notes or New Notes.

#### ***ISSUER POST-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES***

All monies received by the Issuer or the Issuer Security Trustee and all monies standing to the credit of the Issuer Transaction Account following enforcement of the Issuer Security but prior to the delivery of a Note Acceleration Notice by the Note Trustee (together with amounts drawn under the Issuer Liquidity Facility and/or withdrawn from any Issuer Liquidity Standby Accounts and/or the Issuer Liquidity Reserve Account, which shall only be applied towards the payment of paragraphs (i) to (v) (inclusive) of the Issuer Post-Enforcement Pre-Acceleration Payment Priorities) shall be applied by the Issuer Cash Manager (on behalf of the Issuer Security Trustee) in accordance with the Issuer Post-Enforcement Pre-Acceleration Payment Priorities waterfall, as described in more detail in "*Payment Priorities – Issuer Payment Priorities – Issuer Post Enforcement Pre-Acceleration Payment Priorities Issuer Pre-Enforcement Pre-Acceleration Payment Priorities*".

#### ***ISSUER POST-ENFORCEMENT POST-ACCELERATION PAYMENT PRIORITIES***

All monies received by the Issuer or the Issuer Security Trustee and all monies standing to the credit of the Issuer Transaction Account following the delivery of a Note Acceleration Notice by the Note Trustee shall be applied by the Issuer Cash Manager (on behalf of the Issuer Security Trustee) in accordance with the Issuer Post-Enforcement Post-Acceleration Payment Priorities waterfall, as described in more detail in "*Payment Priorities – Issuer Payment Priorities – Issuer Post-Enforcement Post-Acceleration Payment Priorities*".

#### ***ELIGIBLE INVESTMENTS***

The Issuer Cash Manager will procure, pursuant to an instruction in writing from the Issuer (acting on the instructions of the LF Agent in respect of the Issuer Liquidity Standby Account), that monies on deposit in the Issuer Liquidity Standby Account or the Issuer Liquidity Reserve Account will be invested in certain eligible investments specified in the Issuer Cash Management Agreement.

#### ***TERMINATION***

The Issuer (with the prior written consent of the Issuer Security Trustee) and, in certain circumstances, the Issuer Security Trustee can terminate the Issuer Cash Manager's appointment immediately upon the occurrence of, among other things, the following events:

- (a) a failure by the Issuer Cash Manager to make when due a payment, if such default continues unremedied for three Business Days after the earlier of the Issuer Cash Manager becoming aware of such default and the receipt of the Issuer Cash Manager of notice requiring the default to be remedied;
- (b) a failure by the Issuer Cash Manager to maintain all the necessary licences, consents, approvals and authorisations required to perform its obligations;
- (c) a default by the Issuer Cash Manager in the performance or observance of any of its other covenants and obligations under the Issuer Cash Management Agreement which, in the opinion of the Issuer or, in certain circumstances, the Issuer Security Trustee, is materially prejudicial to the interests of the Issuer Secured Creditors, which default continues

unremedied for ten Business Days after the earlier of the Issuer Cash Manager becoming aware of such default and the receipt of the Issuer Cash Manager of notice requiring the default to be remedied; or

- (d) the occurrence of an insolvency event in respect of the Issuer Cash Manager.

The Issuer Cash Manager may resign as Issuer Cash Manager, upon not fewer than 90 days' written notice of resignation to each of the Issuer, the Servicer or the Special Servicer, as applicable, the Issuer Account Bank and the Issuer Security Trustee.

The Noteholders may, by an Extraordinary Resolution, require the Issuer Cash Manager to resign.

The termination of the appointment of the Issuer Cash Manager (and/or its resignation) will only become effective, *inter alia*, upon the appointment of a suitably experienced replacement cash manager.

## **E. ISSUER ACCOUNT BANK AGREEMENT**

### ***GENERAL***

The Issuer has established the following accounts with the Issuer Account Bank:

- (a) a transaction account (the **Issuer Transaction Account**);
- (b) a liquidity reserve account (the **Issuer Liquidity Reserve Account**); and
- (c) a liquidity standby account (the **Issuer Liquidity Standby Account**).

### ***ISSUER TRANSACTION ACCOUNT***

All amounts received by the Issuer and not required to be deposited in the Issuer Liquidity Reserve Account or the Issuer Liquidity Standby Account will be deposited in the Issuer Transaction Account.

Funds in the Issuer Transaction Account will be applied in accordance with the relevant Issuer Payment Priorities.

### ***ISSUER LIQUIDITY RESERVE ACCOUNT***

On each Note Interest Payment Date, where the available undrawn amount under the Issuer Liquidity Facility together with any amount then standing to the credit of the Issuer Liquidity Reserve Account and the Issuer Liquidity Standby Account is less than an amount equal to six months' interest payable on the Notes and Senior Expenses/recurring fees and commissions of the Issuer ranking senior thereto in the Issuer Payment Priorities from the relevant Note Interest Payment Date (an **Issuer Liquidity Event**), the Borrower will pay to the Issuer by way of the Issuer/Borrower Facility Fee for deposit into the Issuer Liquidity Reserve Account the lesser of (i) the Issuer Liquidity Event Amount and (ii) an amount equal to 100 per cent. of the surplus amount standing to the credit of each Rent Account after payment in full of the amounts owing under paragraphs (a) to (h) (inclusive) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities in the section entitled "*Payment Priorities – Borrower Payment Priorities – Borrower Pre-Enforcement Pre-Acceleration Payment Priorities*" or, as applicable, after payment in full of the amounts owing under paragraphs (a) to (h) (inclusive) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities in the section "*Payment Priorities – Borrower Payment Priorities – Borrower Pre-Enforcement Pre-Acceleration Payment Priorities*".

The **Issuer Liquidity Event Amount** is an amount equal to six months' interest payable on the Notes and Senior Expenses/recurring fees and commissions of the Issuer ranking senior thereto in the applicable Issuer Payment Priorities from the relevant Note Interest Payment Date less the available undrawn amount under the Issuer Liquidity Facility, together with any amount then standing to the credit of the Issuer Liquidity Reserve Account and the Issuer Liquidity Standby Account to be calculated on each Determination Date by the Issuer Cash Manager (based on information provided to it by the Servicer and the Borrower) with respect to the forthcoming Note Interest Payment Date.

If there is no Issuer Liquidity Event outstanding on the following Note Interest Payment Date, without taking into account amounts standing to the credit of the Issuer Liquidity Reserve Account, then the amount standing to the credit of the Issuer Liquidity Reserve Account shall be transferred to the Issuer Transaction Account and an amount equal to any Issuer/Borrower Facility Fee paid by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement to fund such amounts will be transferred by the Issuer to the Borrower by way of rebate of such Issuer/Borrower Facility Fee.

Amounts deposited into the Issuer Liquidity Reserve Account will only be applied to the extent of any shortfall on any Note Interest Payment Date to meet the items in the applicable Issuer Payment Priorities for which such amounts were drawn (being paragraphs (i) to (v) (inclusive) of the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities and the Issuer Post-Enforcement Pre-Acceleration Payment Priorities in the section entitled "*Payment Priorities – Issuer Payment Priorities*").

#### ***ISSUER LIQUIDITY STANDBY ACCOUNT***

The proceeds of an Issuer Liquidity Standby Loan by the Issuer will be placed by the Issuer in the Issuer Liquidity Standby Account. Once an Issuer Liquidity Standby Loan becomes a Relevant Issuer Liquidity Standby Loan, the Issuer will apply certain amounts received from the Borrower as part of the Issuer/Borrower Facility Fee to prepay the Issuer Liquidity Standby Loan in accordance with the applicable Issuer Payment Priorities.

Withdrawals from the Issuer Liquidity Standby Account are only permitted if:

- (a) such withdrawal is used to make payments that would have been made by way of a participation in liquidity drawings under the Issuer Liquidity Facility Agreement;
- (b) such withdrawal is used to repay an Issuer Liquidity Standby Loan;
- (c) such withdrawal is used to make a mandatory deposit to the Issuer Liquidity Reserve Account equal to a prepayment of a Relevant Issuer Liquidity Standby Loan as referred to above; or
- (d) such withdrawal is for the purpose of transferring into the Issuer Transaction Account any interest income earned from time to time on the Issuer Liquidity Standby Account.

#### ***TERMINATION***

The Issuer Security Trustee or the Issuer, in certain circumstances, may terminate the Issuer Account Bank's appointment upon not fewer than 30 days' written notice.

The Issuer Security Trustee or the Issuer, in certain circumstances, may terminate the Issuer Account Bank's appointment immediately upon the occurrence of, among others, the following events:



- (a) default by the Issuer Account Bank in the performance of any of its material obligations under the Issuer Account Bank Agreement, if such default continues unremedied for three Business Days of the Issuer Account Bank having received notice of such default or the Issuer Account Bank becoming aware of such default;
- (b) a failure by the Issuer Account Bank to maintain all the appropriate licences, consents, approvals and authorisations required to perform its obligations under the Issuer Account Bank Agreement;
- (c) a failure by the Issuer Account Bank to maintain the Required Ratings; or
- (d) the occurrence of an Insolvency Event in respect of the Issuer Account Bank.

Subject to certain conditions, the Issuer Account Bank may resign as Issuer Account Bank upon not fewer than 90 days' written notice of resignation to the Issuer (with a copy to the Issuer Security Trustee and the Issuer Cash Manager).

The Noteholders may, by an Extraordinary Resolution require the Issuer Account Bank to resign.

The termination of the appointment of the Issuer Account Bank (and/or its resignation) will become effective, *inter alia*, upon the appointment of a new Issuer Account Bank in accordance with the Issuer Account Bank Agreement.

## **F. AGENCY AGREEMENT**

Pursuant to the Agency Agreement to be entered into on the Closing Date between, *inter alios*, the Issuer, the Note Trustee and the Principal Paying Agent, provision has been made for, among other things, payment of principal and interest in respect of the Notes.

## **G. ISSUER LIQUIDITY FACILITY AGREEMENT**

### ***GENERAL***

An Issuer Liquidity Facility will be made available to the Issuer on the Closing Date for an amount equal to £3,900,000 (the **Issuer LF Amount**), subject to adjustment as described below. The Issuer can make drawings on the Issuer Liquidity Facility (a) on or prior to a Note Interest Payment Date to cover any shortfalls in cash required to make payments of interest due under, or in respect of, the Notes and amounts ranking senior thereto in accordance with the relevant Issuer Payment Priorities (an **Issuer Interest/Expenses Loan**) and (b) on any Business Day, if the Issuer Cash Manager is notified in writing by the Servicer or the Special Servicer that a Property Protection Shortfall exists to cover a Property Protection Shortfall (a **Property Protection Loan** and, together with an Issuer Interest/Expenses Loan, an **Issuer Liquidity Loan**).

Any Issuer LF Loans (meaning any Issuer Liquidity Loan or Issuer Liquidity Standby Loan (as applicable) (an **Issuer LF Loan**)) made available to the Issuer will constitute limited recourse obligations of the Issuer and will be secured by the Issuer Security. The obligations of the Issuer to repay amounts in respect of, *inter alia*, the Issuer Liquidity Facility, will not be guaranteed by any other person.

The maturity date of the Issuer Liquidity Facility will be 364 days after the Closing Date (the **Issuer LF Maturity Date**) (subject to renewal by the Issuer until the Issuer LF Termination Date). There is no minimum amount for Issuer LF Loans.

The amount of each Issuer LF Provider's participation in each requested Issuer LF Loan will be the proportion borne by its Available Issuer LF Commitment to the aggregate Available Issuer LF Commitments immediately before making such Issuer LF Loan. The obligations of each Issuer LF Provider are several and not joint.

### ***REDUCTION IN ISSUER LF AMOUNT***

As of the Closing Date, the Issuer LF Amount is £3,900,000.

Following a reduction in the aggregate Principal Amount Outstanding of the Notes as a result of redemption of the Notes in accordance with the Conditions, the Issuer LF Providers, the LF Agent or the Issuer (with the prior written consent of the Issuer Security Trustee) may request that the Total Issuer LF Commitments be reduced by a certain amount. The Issuer LF Providers and the LF Agent or the Issuer (as applicable) can agree to such reduction subject to having first obtained a Rating Agency Confirmation (as defined above in the section entitled "*Issuer/Borrower Loan Agreement*") in respect of the proposed reduction of the Total Issuer LF Commitments.

### ***CONDITIONS OF UTILISATION***

The Issuer Liquidity Facility may be utilised if:

- (a) all fees due and payable by the Issuer to the LF Agent and Issuer LF Providers have been paid;
- (b) the Notes have been issued by the Issuer;
- (c) the Initial Issuer/Borrower Loan has been advanced to the Borrower by the Issuer;
- (d) no Issuer LF Event of Default is outstanding or would result from the making of the Issuer LF Loan; and
- (e) the LF Agent has notified the Issuer that it has received all of the conditions precedent documents and evidence set out in the Issuer Liquidity Facility Agreement in a form and substance satisfactory to the LF Agent.

Drawings under the Issuer Liquidity Facility may be made if:

- (i) no Issuer LF Event of Default has occurred and is outstanding;
- (ii) all fees due and payable by the Issuer to the LF Agent and Issuer LF Providers have been paid;
- (iii) for an Issuer Liquidity Loan relating to an Issuer Liquidity Shortfall, the Issuer Liquidity Shortfall is continuing and the amount of the proposed Issuer Liquidity Loan is no greater than the current Issuer Liquidity Shortfall Amount; and
- (iv) for an Issuer Liquidity Loan relating to a Property Protection Shortfall:
  - (A) the Property Protection Shortfall is continuing; and
  - (B) the amount of the proposed Property Protection Loan is no greater than the current Property Protection Shortfall.

The Issuer LF Providers will be obliged to provide an Issuer Liquidity Loan to the Issuer notwithstanding that a Note Event of Default has occurred which is not itself an Issuer LF Event of Default.

### ***FEES***

An upfront arrangement fee will be payable by the Issuer to the LF Agent (for the account of each Issuer LF Provider) on the Closing Date.

A commitment fee will also be payable by the Issuer semi-annually in arrear on each Note Interest Payment Date on the undrawn and uncanceled commitments under the Issuer Liquidity Facility.

A renewal fee will be payable by the Issuer to the LF Agent (for the account of each extending Issuer LF Provider) upon an extension to the Issuer Liquidity Facility. In addition, an annual agency fee will be payable to the LF Agent.

### ***RANKING***

Payments to the Issuer LF Providers and the LF Agent will, at all times, rank senior to payments owed by the Issuer under or in respect of the Notes.

### ***INTEREST PAYMENT DATES AND INTEREST PERIODS***

Interest on the Issuer Liquidity Facility will be payable on each Note Interest Payment Date. The rate of interest applicable to any Issuer LF Loan shall be the aggregate of the applicable (i) Margin and (ii) LIBOR (and in case LIBOR is less than zero, it shall be deemed to be zero). The margin is initially 1.75 per cent. per annum and shall increase on a cumulative basis by 0.5 per cent. per annum in respect of a drawing under the Issuer Liquidity Facility, on each anniversary of that drawing (**Margin**). For these purposes, in calculating the period of time that a drawing has been outstanding, if an Issuer LF Loan has been deemed to be repaid and redrawn it shall be deemed to have been continuously outstanding. Should the Issuer fail to make a payment due under the Issuer Liquidity Facility Agreement, default interest will be paid on that unpaid amount, with an additional 1 per cent. per annum being added to the Margin and LIBOR payable by the Issuer in respect of that amount from the date on which that amount was due. The Issuer will also be required to pay the Issuer LF Providers any applicable increased costs. If an Issuer LF Provider receives or recovers all or any part of an Issuer LF Loan before the end of the relevant Issuer Liquidity Facility interest period, the Issuer, at the request of the LF Agent, shall pay break costs as set out in the Issuer Liquidity Facility Agreement.

### ***REPAYMENT OF ISSUER LF LOANS***

All Issuer LF Loans must (if not previously repaid or discharged) be repaid in full on the earlier of the Note Interest Payment Date which follows the Issuer LF Drawdown Date, the Issuer LF Maturity Date and the Issuer LF Termination Date, where **Issuer LF Termination Date** means the earliest of:

- (a) the date on which the Issuer has repaid or discharged all amounts due in respect of the Notes;
- (b) the final discharge under the Issuer Deed of Charge;
- (c) the date on which the Issuer Liquidity Facility is terminated by virtue of an issue of an acceleration notice in accordance with the Issuer Liquidity Facility Agreement;
- (d) the service of a Note Acceleration Notice; and

- (e) the Note Final Maturity Date, falling on 30 September 2029.

If an Issuer Liquidity Loan is not repaid in full on the relevant Note Interest Payment Date, the relevant Issuer Liquidity Loan will be deemed to be repaid (but only for the purposes of the Issuer Liquidity Facility) and redrawn on such Note Interest Payment Date in an amount equal to all amounts outstanding which have not been repaid provided that the aggregate of the amounts drawn together with other Issuer Liquidity Loans will not exceed the Issuer LF Amount. This procedure will be repeated on each subsequent Note Interest Payment Date, up to the amount of the Issuer LF Amount, until all amounts outstanding are paid and/or repaid or until the Note Final Maturity Date or, if earlier the Issuer LF Termination Date, as the case may be.

## ***PREPAYMENT AND CANCELLATION***

### ***Voluntary cancellation and voluntary prepayment***

The Issuer may cancel the undrawn commitments of an Issuer LF Provider under the Issuer Liquidity Facility in whole or in part or may prepay any Issuer Liquidity Standby Loans in whole or in part if:

- (a) the Issuer has given the LF Agent not less than five Business Days' prior written notice (copied to the relevant Issuer LF Provider, the Issuer Security Trustee and the Issuer Cash Manager); and
- (b) for a cancellation in full of the commitments or on prepayment in full, the Issuer or the Issuer Security Trustee, has entered into a substitute liquidity facility agreement; or
- (c) a Rating Agency Confirmation is provided in respect of such cancellation or prepayment; or
- (d) the Issuer certifies to the Issuer Security Trustee that such cancellation or prepayment will not cause the Issuer Debt Service Shortfall Test to be breached pursuant to the terms of the Issuer/Borrower Loan Agreement.

The undrawn commitment under the Issuer Liquidity Facility may be cancelled in full (subject to a minimum cancellation in an amount equal to £500,000 or a lower amount equal to the full amount of such undrawn commitment) or in part (being an amount or integral multiple of £500,000). Additionally, any Issuer LF Loan may be prepaid in full (subject to a minimum prepayment amount equal to £500,000) or in part (being an amount or integral multiple of £500,000).

Any cancellation and/or prepayment of the Issuer Liquidity Facility will be applied *pro rata* against the amount outstanding to each Issuer LF Provider. Any prepayment of drawings other than on a Note Interest Payment Date, Issuer LF Maturity Date or Note Final Maturity Date under the Issuer Liquidity Facility will incur break costs.

### ***Automatic cancellation***

The commitments under the Issuer Liquidity Facility will be automatically cancelled on the Issuer LF Termination Date.

### ***Optional prepayment and cancellation in relation to a single Issuer LF Provider***

If:

- (a) the Issuer is required to pay to any Issuer LF Provider:
  - (i) any amounts under the tax gross up; or

- (ii) any amounts under the indemnities for tax or increased costs; or
- (b) at any time a substitute liquidity facility agreement has been entered into in accordance with the Issuer Liquidity Facility Agreement and a substitute Issuer LF Provider has acceded to the Issuer Liquidity Facility Agreement,

then the Issuer, whilst the circumstance giving rise to the requirement for increased sums or indemnification continues, or if a substitute liquidity facility agreement has been entered into, by giving to the LF Agent not fewer than five Business Days' prior notice, may cancel the undrawn commitment under the Issuer Liquidity Facility in respect of the relevant Issuer LF Provider and prepay any Issuer LF Loan.

***Mandatory prepayment and cancellation due to illegality***

- (a) An Issuer LF Provider must promptly notify the LF Agent if it becomes aware that it is unlawful for that Issuer LF Provider to make, fund or allow to remain outstanding its Issuer Liquidity Facility and/or participation in any Issuer LF Loan or performance of its obligations under the Issuer Liquidity Facility Agreement.
- (b) After receipt of the notice in paragraph (a) above, the LF Agent must notify the Issuer, the Issuer Security Trustee and the Issuer Cash Manager promptly.
- (c) After notification under paragraph (a) above:
  - (i) the commitment under the Issuer Liquidity Facility of the relevant Issuer LF Provider will be immediately cancelled on the date of the notice provided by the LF Agent (and the relevant Issuer LF Provider will not be obliged to make any further Issuer LF Loans); and
  - (ii) the Issuer must repay or prepay the relevant Issuer LF Provider's participation in each Issuer LF Loan (and any other amounts to be repaid by the Issuer under the Issuer Liquidity Facility Agreement to that Issuer LF Provider) on the date specified in paragraph (d) below.
- (d) The date for repayment or prepayment of an Issuer LF Loan (and any other amounts to be repaid by the Issuer under the Issuer Liquidity Facility Agreement) will be the next following Note Interest Payment Date after the Issuer has received the notification in paragraph (b) above or, if earlier, on the last day permitted by law.

***Issuer/Borrower Facility Fee***

Under the Issuer/Borrower Loan Agreement, the Obligor shall in certain circumstances, prior to the delivery of an Obligor Enforcement Notice and/or an Obligor Acceleration Notice, pay to the Issuer an Issuer/Borrower Facility Fee with:

- (a) the proceeds of a disposal of a Property deposited into the Disposal Account in accordance with the Issuer/Borrower Loan Agreement;
- (b) any Compensation Prepayment Proceeds deposited into the Deposit Account in accordance with the Issuer/Borrower Loan Agreement;
- (c) any Insurance Prepayment Proceeds deposited into the Deposit Account in accordance with the Issuer/Borrower Loan Agreement;

- (d) any Lease Proceeds deposited into the Deposit Account in accordance with the Issuer/Borrower Loan Agreement;
- (e) any Hedging Prepayment Proceeds deposited into the Deposit Account in accordance with the Issuer/Borrower Loan Agreement;
- (f) any Recovery Prepayment Proceeds deposited into the Deposit Account in accordance with the Issuer/Borrower Loan Agreement; and
- (g) any amounts standing to the credit of the Cure Account and/or the Lock-Up Account which can be withdrawn for such purpose in accordance with the Issuer/Borrower Loan Agreement,

in each case, to be used by the Issuer to prepay any outstanding Issuer LF Loans.

On each Note Interest Payment Date that a Relevant Issuer Liquidity Standby Loan remains outstanding prior to the delivery of an Obligor Acceleration Notice, the Borrower shall apply the amount standing to the credit of all of the Rent Accounts following application of paragraphs (a) to (f) (inclusive) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or paragraphs (a) to (f) (inclusive) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities (as applicable), to pay the Issuer/Borrower Facility Fee to enable the Issuer to prepay to the relevant Issuer LF Provider each such Relevant Issuer Liquidity Standby Loan (together with accrued interest and related break costs). Upon such payment to the relevant Issuer LF Provider, the Issuer (or the Issuer Cash Manager on its behalf) shall transfer an equivalent amount from the Issuer Liquidity Standby Account to the Issuer Liquidity Reserve Account.<sup>7</sup>

#### ***Mandatory prepayment following an Obligor Enforcement Notice***

Following the delivery of an Obligor Enforcement Notice, the Obligors shall pay the Issuer an Issuer/Borrower Facility Fee (by withdrawing such fee from the Disposal Account, the Deposit Account, the Lock-Up Account and/or the Cure Account and/or by using proceeds of enforcement of the Obligor Security) to be used by the Issuer to prepay the Issuer LF Loans.

#### ***EXTENSION OF ISSUER LIQUIDITY FACILITY***

Not more than 90 nor less than 60 days before the end of the term (as extended from time to time) of the Issuer Liquidity Facility, the Issuer (or the Borrower on its behalf) may request each Issuer LF Provider to extend the term of the Issuer Liquidity Facility for a further 364 days.

#### ***NEW LIQUIDITY FACILITY***

If an Issuer LF Provider does not agree to extend the Issuer Liquidity Facility (such Issuer LF Provider being a **Non-Extending Issuer LF Provider**), the Issuer does not make a request for extension or at any time an Issuer Liquidity Standby Loan is outstanding from a Downgraded Issuer LF Provider, the Issuer shall use all reasonable commercial endeavours to:

- (a) replace such Non-Extending Issuer LF Provider (and have the replacement Issuer LF Provider accede to the Issuer Liquidity Facility Agreement on or prior to the fifth Business Day before the Issuer LF Maturity Date); or

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<sup>7</sup> The Issuer/Borrower Facility Fee paid by the Borrower to the Issuer is used to repay any Relevant Issuer Liquidity Standby Loan to the Issuer LF Provider. An equivalent amount of the Relevant Issuer Liquidity Standby Loan is then transferred to the Issuer Liquidity Reserve Account to be used for liquidity purposes if/as required

- (b) enter into a new liquidity facility agreement on substantially the same terms as the Issuer Liquidity Facility Agreement with one or more substitute Issuer LF Providers on or prior to the fifth Business Day before the Issuer LF Maturity Date.

If the Issuer enters into a substitute liquidity facility agreement or procures that a replacement Issuer LF Provider accedes to the Issuer Liquidity Facility Agreement, it shall notify the Issuer Security Trustee and the Rating Agencies accordingly.

### ***ISSUER LIQUIDITY STANDBY LOANS***

If either:

- (a) at any time the rating of an Issuer LF Provider falls below the prevailing Issuer LF Provider Minimum Ratings (a **Downgraded Issuer LF Provider**) and the Issuer fails to obtain a replacement or guarantor or enter into a substitute liquidity facility agreement within 40 days; or
- (b) an Issuer LF Provider refuses to grant an extension of the term of the Issuer Liquidity Facility and the Issuer has not obtained a replacement or entered into a substitute facility agreement on the fifth Business Day before the Issuer LF Maturity Date (a **Non-Extending Issuer LF Provider**),

then the Issuer shall promptly request a drawing of the full amount of the relevant Issuer LF Provider's commitment (an **Issuer Liquidity Standby Loan**) then available for drawing under the Issuer Liquidity Facility on or prior to the 60th day after the date that the Issuer LF Provider became a Downgraded Issuer LF Provider. The proceeds of the Issuer Liquidity Standby Loan will be deposited into the Issuer Liquidity Standby Account (which will, regardless of whether the Issuer LF Provider holds the Issuer LF Provider Minimum Ratings, be held with the Issuer Account Bank) and used to fund the relevant Issuer LF Provider's share of drawings under the Issuer Liquidity Facility if and when required.

Each Issuer Liquidity Standby Loan will generally be repayable to the relevant Issuer LF Provider on the earliest of:

- (i) the Issuer or the LF Agent serving a notice of cancellation to the Issuer LF Provider which has advanced an Issuer Liquidity Standby Loan pursuant to the Issuer Liquidity Facility Agreement (the **Affected Issuer LF Provider**) in accordance with the Issuer Liquidity Facility Agreement, in respect of its entire commitment under the Issuer Liquidity Facility;
- (ii) the Affected Issuer LF Provider assigning or transferring all of its rights, benefits or obligations under the Issuer Liquidity Facility Agreement to a replacement in accordance with the Issuer Liquidity Facility Agreement;
- (iii) the day which is five Business Days after the date on which the Affected Issuer LF Provider has served a notice that it now has the Issuer LF Provider Minimum Ratings in accordance with the Issuer Liquidity Facility Agreement (if the Issuer LF Provider did not, on any day, have a minimum rating of at least equal to the Issuer LF Provider Minimum Ratings);
- (iv) the day which is five Business Days after the date on which the Affected Issuer LF Provider is no longer a Non-Extending Issuer LF Provider having subsequently agreed to grant an extension of the term of the Issuer Liquidity Facility (such extension request having been provided on the request of such Non-Extending Issuer LF Provider);

- (v) a substitute liquidity facility agreement being entered into in accordance with the Issuer Liquidity Facility Agreement;
- (vi) the Issuer LF Termination Date;
- (vii) in relation to the Relevant Issuer Liquidity Standby Loans, upon payment by the Borrower to the Issuer of the Issuer/Borrower Facility Fee in respect thereof in accordance with the Issuer/Borrower Loan Agreement; and
- (viii) upon the delivery of a Note Acceleration Notice or, if earlier, upon acceleration of the Issuer LF Loans and/or cancellation of the Issuer LF Commitments pursuant to the Issuer Liquidity Facility Agreement.

The amount standing to the credit of the Issuer Liquidity Standby Account shall not be applied in accordance with the relevant Issuer Payment Priorities and shall not form part of the funds available to the Issuer both prior to and following an enforcement of the Issuer Security.

### ***ASSIGNMENT AND TRANSFER***

Any Issuer LF Provider may assign or transfer any of its rights or obligations under the Issuer Liquidity Facility Agreement to any other financial institution with a rating equal to or better than the Issuer LF Provider Minimum Ratings.

Any assignee or transferee must accede to the Issuer Liquidity Facility Agreement, the Issuer Deed of Charge and the Master Definitions Schedule in accordance with the terms thereof.

### ***ISSUER LF EVENTS OF DEFAULT***

The **Issuer LF Events of Default** include (with respect to the Issuer):

- (a) non-payment (subject to a grace period of three Business Days or if non-payment is caused by administrative or technical error);
- (b) breach of other obligations which have, or would reasonably be expected to have a material adverse effect (in accordance with the Issuer Liquidity Facility Agreement), unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within 20 Business Days of the earlier of the LF Agent giving notice and the Issuer becoming aware of the non-compliance;
- (c) insolvency proceedings are commenced;
- (d) the Issuer is unable to pay its debts when they fall due within the meaning of section 123 of the Insolvency Act 1986, assuming that the Issuer Liquidity Facility is available for drawing by the Issuer;
- (e) subject to a grace period, any representation or statement made or deemed to be made by the Issuer in connection with the Issuer Liquidity Facility or any other document delivered by or on behalf of the Issuer under or in connection with the Issuer Liquidity Facility, is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, provided such failure to comply is not capable of remedy or is remedied in accordance with the Issuer Liquidity Facility Agreement and provided such failure would reasonably be



expected to have a material adverse effect (in accordance with the Issuer Liquidity Facility Agreement);

- (f) the delivery of a Note Acceleration Notice or the enforcement of the Issuer Security;
- (g) any administrative receiver appointed under the Issuer Transaction Documents is removed as a result of the appointment of a liquidator or administrator in respect of the Issuer; and
- (h) it is or becomes unlawful for the Issuer to perform, or to comply with, any of its obligations under the Issuer Liquidity Facility.

No drawing under the Issuer Liquidity Facility will be permitted if an Issuer LF Event of Default is outstanding.

### ***AMENDMENTS AND WAIVERS***

No amendments can be made, or waivers granted, in relation to the Issuer Transaction Documents and the Obligor Transaction Documents without the consent of the Majority Issuer LF Providers if the relevant amendment is likely to materially adversely affect the interests of the Issuer LF Providers or if the Issuer LF Providers are party to such Issuer Transaction Document or Obligor Transaction Document.

The LF Agent may only agree to an amendment of, or a waiver under, the Issuer Liquidity Facility Agreement if it has the prior consent of the Majority Issuer LF Providers (subject to certain amendments and waivers which require the consent of all of the Issuer LF Providers).

### ***DEFINED TERMS***

**Additional Issuer LF Provider** means any financial institution which has the Issuer LF Provider Minimum Ratings invited by the Issuer to accede to the Issuer Liquidity Facility Agreement when any Issuer LF Provider does not agree to increase its Issuer LF Commitment pursuant to the terms of the Issuer Liquidity Facility Agreement or there is otherwise a shortfall in the amount of the requested increase from the existing Issuer LF Providers.

**Available Issuer LF Commitment** means, in relation to an Issuer LF Provider at any time and save as otherwise provided herein, the amount of its Issuer LF Commitment less the aggregate principal amount which it has funded by way of participations in Issuer Liquidity Loans and which have not been repaid at such time under the Issuer Liquidity Facility Agreement.

**Issuer LF Commitment** means:

- (a) in relation to an initial Issuer LF Provider at any time and save as otherwise provided in the Issuer Liquidity Facility Agreement, the amount set out in the Issuer Liquidity Facility Agreement and the amount of any other Issuer LF Commitment transferred to it under the Issuer Liquidity Facility Agreement;
- (b) in relation to any Issuer LF Provider who is not an initial Issuer LF Provider, the amount of any Issuer LF Commitment assigned or transferred to it under the Issuer Liquidity Facility Agreement; and
- (c) in relation to any Issuer LF Provider who agrees to increase its Issuer LF Commitment pursuant to the terms of the Issuer Liquidity Facility Agreement, the amount of increase assured by it,

to the extent not cancelled, transferred or reduced under the Issuer Liquidity Facility Agreement.

**Issuer LF Drawdown Date** means the date of an advance of an Issuer LF Loan.

**Issuer LF Maturity Date** means the date which falls 364 days after the then applicable commencement date.

**Issuer Liquidity Facility** means the committed sterling revolving liquidity facility and standby facility made available to the Issuer under the Issuer Liquidity Facility Agreement.

**Issuer Liquidity Reserve Account** means an account so designated in the name of the Issuer opened with the Issuer Account Bank pursuant to the Issuer Account Bank Agreement, and includes its interest in any replacement account.

**Issuer Liquidity Shortfall** means, in respect of any Note Interest Payment Date, a determination that there will be an Issuer Liquidity Shortfall Amount in accordance with the Issuer Cash Management Agreement.

**Issuer Liquidity Shortfall Amount** means (after taking into account funds available for drawing from the Issuer Liquidity Reserve Account but excluding amounts available pursuant to the Issuer Liquidity Facility Agreement), with respect to any Note Interest Payment Date, the amount (as determined by the Issuer Cash Manager or, in the absence of determination by the Issuer Cash Manager, by the Issuer) by which the funds in the Issuer Transaction Account on such Note Interest Payment Date shall be less than the amounts scheduled to be paid in respect of paragraphs (i) to (v) (inclusive) of the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities or, if then applicable, paragraphs (i) to (v) (inclusive) of the Issuer Post-Enforcement Pre-Acceleration Payment Priorities.

**Majority Issuer LF Providers** means an Issuer LF Provider or Issuer LF Providers whose Issuer LF Commitments aggregate more than  $66\frac{2}{3}$  per cent. of the total Issuer LF Commitments or, if the total Issuer LF Commitments have been reduced to zero, aggregated more than  $66\frac{2}{3}$  per cent. of the total Issuer LF Commitments immediately prior to the reduction.

**Property Protection Shortfall** means, on any day, an amount specified by the Issuer Cash Manager (following notification thereof to it by the Servicer or the Special Servicer (as applicable)) which the Servicer or the Special Servicer (as applicable) has determined should be paid to third parties, such as insurers and persons providing services in connection with the operation of the Property Portfolio.

**Relevant Issuer Liquidity Standby Loan** means an Issuer Liquidity Standby Loan that has been continuously outstanding for more than five years from its original Issuer LF Drawdown Date (and such five year anniversary date, the **Relevant Issuer Liquidity Standby Loan Amortisation Date**).

**Total Issuer LF Commitments** means the aggregate of the Issuer LF Commitments of the Issuer LF Providers, being £3,900,000, to the extent not cancelled, transferred, increased or reduced under the Issuer Liquidity Facility Agreement.

## PAYMENT PRIORITIES

### A. BORROWER PAYMENT PRIORITIES

#### ***BORROWER PRE-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES***

On each Distribution Date prior to the service of an Obligor Acceleration Notice and/or an Obligor Enforcement Notice (or, in respect of paragraphs (a) to (c) below, on any date on which they fall due), monies:

- (i) credited to each Rent Account;
- (ii) to be released from the Cure Account on such Distribution Date in accordance with certain provisions of the Issuer/Borrower Loan Agreement described in the section entitled "*Issuer/Borrower Loan Agreement*" – "*Cure Account*" (which provide for such amounts to be applied in accordance with the relevant Borrower Payment Priorities); and
- (iii) to be released from the Lock-Up Account on such Distribution Date in accordance with certain provisions of the Issuer/Borrower Loan Agreement described in the section entitled "*Issuer/Borrower Loan Agreement*" – "*Lock-Up Account*" (which provide for such amounts to be applied in accordance with the relevant Borrower Payment Priorities),

but for the avoidance of doubt, excluding:

- (iv) any amounts to be applied in prepayment of the Issuer/Borrower Loans (which will be applied in accordance with the provisions of the Issuer/Borrower Loan Agreement described in the section entitled "*Issuer/Borrower Loan Agreement*" – "*Other mandatory prepayments*") and any Repayment Costs relating to such prepayment;
- (v) unless a Payment Stop Notice is then outstanding, any amounts to be applied in prepayment of the Mezzanine Loan Notes (which will be applied in accordance with the provisions of the Issuer/Borrower Loan Agreement described in the section entitled "*Issuer/Borrower Loan Agreement*" – "*Other mandatory prepayments*");
- (vi) any Hedge Collateral Excluded Amounts which shall be applied as set out in the section entitled "*Hedge Collateral Excluded Amounts*" below; and
- (vii) any amounts standing to the credit of each Seasonality Ledger which shall be applied as set out in the Issuer/Borrower Loan Agreement,

must be applied for the purpose of enabling the following payments to be made (together with any VAT thereon, as provided for in the relevant Obligor Transaction Document) (the **Borrower Pre-Enforcement Pre-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Borrower to the Obligor Security Trustee and appointees (if any) of the Obligor Security Trustee; and
  - (ii) the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Issuer to the

Note Trustee and the Issuer Security Trustee and appointees (if any) under the Note Trust Deed or the Issuer Deed of Charge (respectively);

- (b) **second**, in or towards satisfaction *pro rata* and *pari passu* of:
- (i) the fees, costs, expenses and indemnity payments due and payable by the Borrower to the Obligor Account Bank (to the extent not already paid from an Obligor Account as permitted by the terms of the Issuer/Borrower Loan Agreement); and
  - (ii) the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the fees, costs, expenses and indemnity payments due and payable by the Issuer to the Paying Agents under the Agency Agreement, the Issuer Account Bank under the Issuer Account Bank Agreement, the Issuer Cash Manager under the Issuer Cash Management Agreement, the Servicer and the Special Servicer under the Servicing Agreement and the Corporate Services Provider under the Corporate Services Agreement;
- (c) **third**, in or towards satisfaction of:
- (i) any amounts due and payable by the Borrower and for which the Borrower is primarily liable in respect of Tax for which the Borrower is liable under the laws of any jurisdiction;
  - (ii) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the £12,000 per annum (the **Issuer Profit Amount**) (which the Issuer may use to meet any United Kingdom corporation tax thereon); and
  - (iii) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee (including, without limitation, in respect of other Third Party Amounts (including any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all other United Kingdom and other Tax for which the Issuer is liable under the laws of any jurisdiction)), to the extent not provided for in another paragraph of this Borrower Pre-Enforcement Pre-Acceleration Payment Priorities;
- (d) **fourth**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of all amounts due and payable by the Issuer to the Issuer LF Providers (other than in respect of amounts payable under paragraph (f) below);
- (e) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of:
- (i) all interest due and payable by the Borrower to the Issuer on or in respect of the Issuer/Borrower Facilities; and
  - (ii) all scheduled amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (f) **sixth**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of prepayment by the Issuer of any Relevant Issuer Liquidity Standby Loans in accordance with the Issuer/Borrower Loan Agreement and the Issuer Liquidity Facility Agreement;

- (g) **seventh**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (i) any other payments (including principal and any Repayment Costs) on the Issuer/Borrower Facilities due and payable by the Borrower to the Issuer; and
  - (ii) all unscheduled amounts and termination payments (other than any Subordinated Hedge Amounts) due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (h) **eighth**, in or towards satisfaction *pro rata* and *pari passu* of any Subordinated Hedge Amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (i) **ninth**, in or towards satisfaction, if an Issuer Liquidity Event has occurred and is continuing in respect of the Test Date immediately prior to such Distribution Date, payment by the Borrower of an amount equal to the lesser of (i) the Issuer Liquidity Event Amount and (ii) an amount equal to 100 per cent. of the surplus amount standing to the credit of all of the Rent Accounts after payment in full of the amounts owing under paragraphs (a) to (h) (inclusive) above, to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the Issuer Liquidity Event Amount payable by the Issuer into the Issuer Liquidity Reserve Account;
- (j) **tenth**, in or towards satisfaction of all Permitted Mezzanine Administrative Costs that will become due and payable under the Mezzanine Loan Note Agreement on the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account;
- (k) **eleventh**, if no Payment Stop Notice is outstanding, an amount that will become due and payable to the Mezzanine Finance Parties under the Mezzanine Loan Note Agreement (less any Permitted Mezzanine Administrative Costs paid under paragraph (j) above) on the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account;
- (l) **twelfth**, if a Trigger Event has occurred and is continuing in respect of the Test Date immediately prior to such Distribution Date, payment of 100 per cent. of the balance remaining in the Rent Accounts after payment in full of the amounts owing under (if no Payment Stop Notice is outstanding) paragraphs (a) to (k) (inclusive) above and (if a Payment Stop Notice is outstanding) (a) to (j) above, to the Lock-Up Account;
- (m) **thirteenth**, any surplus remaining following the payment in full of the amounts owing under paragraphs (a) to (l) (inclusive) above to or for the account of the Borrower to pay to a General Account as an amount available to make Permitted Payments (unless a Mezzanine Trigger Event is outstanding, when such amounts will be paid to the Mezzanine Lock-Up Account).

#### ***BORROWER POST-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES***

All monies received or recovered by the Obligor Security Trustee (or any receiver appointed by it) in respect of the Obligor Security and under the guarantees given by the Obligors under the Issuer/Borrower Loan Agreement (the **Available Enforcement Proceeds**) including monies:

- (i) credited to each Rent Account;
- (ii) to be released from the Cure Account on the date money is applied in accordance with the Borrower Post-Enforcement Pre-Acceleration Payment Priorities, in accordance with certain provisions of the Issuer/Borrower Loan Agreement described in the section entitled

*"Issuer/Borrower Loan Agreement" – "Cure Account"* (which provide for such amounts to be applied in accordance with the relevant Borrower Payment Priorities); and

- (iii) to be released from the Lock-Up Account on the date money is applied in accordance with the Borrower Post-Enforcement Pre-Acceleration Payment Priorities, in accordance with certain provisions of the Issuer/Borrower Loan Agreement described in the section entitled *"Issuer/Borrower Loan Agreement" – "Lock-Up Account"* (which provide for such amounts to be applied in accordance with the relevant Borrower Payment Priorities),

but excluding for the avoidance of doubt:

- (iv) amounts to be applied in prepayment of the Issuer/Borrower Loan (which will be applied in accordance with the provisions of the Issuer/Borrower Loan Agreement described in the section entitled *"Issuer/Borrower Loan Agreement" – "Other mandatory prepayments"*) and any Repayment Costs relating to such prepayment;
- (v) unless a Payment Stop Notice is outstanding, any amounts to be applied in prepayment of the Mezzanine Loan Notes (which will be applied in accordance with the provisions of the Issuer/Borrower Loan Agreement described in the section entitled *"Issuer/Borrower Loan Agreement" – "Other mandatory prepayments"*); and
- (vi) any Hedge Collateral Excluded Amounts which shall be applied as set out in the section entitled *"Hedge Collateral Excluded Amounts"* below,

shall, following the delivery of an Obligor Enforcement Notice but prior to the delivery of an Obligor Acceleration Notice, be applied (to the extent that it is lawfully able to do so) on each Distribution Date or other date selected by the Obligor Security Trustee (or, in respect of paragraphs (a) to (c) below, on any date on which they fall due) by or on behalf of the Obligor Security Trustee (or, as the case may be, any receiver appointed by it) for the purpose of enabling the following payments to be made (together with any VAT thereon, as provided for in the relevant Obligor Transaction Documents) (the **Borrower Post-Enforcement Pre-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction *pro rata* and *pari passu* of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Borrower to the Obligor Security Trustee and appointees (if any) of the Obligor Security Trustee (including any receiver appointed by the Obligor Security Trustee); and
  - (ii) the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and appointees (if any) under the Note Trust Deed or the Issuer Deed of Charge (respectively);
- (b) **second**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the fees, costs, expenses and indemnity payments due and payable by the Issuer to the Paying Agents under the Agency Agreement, the Issuer Account Bank under the Issuer Account Bank Agreement, the Issuer Cash Manager under the Issuer Cash Management Agreement, the Servicer and the Special Servicer under the Servicing Agreement and the Corporate Services Provider under the Corporate Services Agreement;

- (c) **third**, in or towards satisfaction of:
  - (i) any amounts due and payable by the Borrower and for which the Borrower is primarily liable in respect of all other Tax for which the Borrower is liable under the laws of any jurisdiction;
  - (ii) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the Issuer Profit Amount (which the Issuer may use to meet any United Kingdom corporation tax thereon); and
  - (iii) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee (including, without limitation, in respect of other Third Party Amounts (including any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all other United Kingdom and other Tax for which the Issuer is liable under the laws of any jurisdiction)), to the extent not provided for in another paragraph of this Borrower Post-Enforcement Pre-Acceleration Payment Priorities;
- (d) **fourth**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of all amounts due and payable by the Issuer to the Issuer LF Providers (other than in respect of amounts payable under paragraph (f));
- (e) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (i) all interest due and payable by the Borrower to the Issuer on or in respect of the Issuer/Borrower Facilities; and
  - (ii) all scheduled amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (f) **sixth**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of prepayment by the Issuer of any Relevant Issuer Liquidity Standby Loans in accordance with the Issuer/Borrower Loan Agreement;
- (g) **seventh**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (i) any other payments (including principal and any Repayment Costs) on the Issuer/Borrower Facilities due and payable by the Borrower to the Issuer; and
  - (ii) all unscheduled amounts and termination payments (other than any Subordinated Hedge Amounts) due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (h) **eighth**, in or towards satisfaction *pro rata* and *pari passu* of any Subordinated Hedge Amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (i) **ninth**, in or towards satisfaction, if an Issuer Liquidity Event has occurred and is continuing in respect of the Test Date immediately prior to such Distribution Date, payment by the Borrower of an amount equal to the lesser of (i) the Issuer Liquidity Event Amount and (ii) an amount equal to 100 per cent. of the surplus amount standing to the credit of all of the Rent Accounts after payment in full of the amounts owing under paragraphs (a) to (h) (inclusive)

above, to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the Issuer Liquidity Event Amount payable by the Issuer into the Issuer Liquidity Reserve Account;

- (j) **tenth**, in or towards satisfaction of all the Permitted Mezzanine Administrative Costs that will become due and payable under the Mezzanine Loan Note Agreement on the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account;
- (k) **eleventh**, if no Payment Stop Notice is outstanding, an amount that will become due and payable to the Mezzanine Finance Parties under the Mezzanine Loan Note Agreement on the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account (less any Permitted Mezzanine Administrative Costs paid in accordance with paragraph (j) above); and
- (l) **twelfth**, payment of 100 per cent. of the balance remaining in the Rent Accounts after payment in full of the amounts owing under (if no Payment Stop Notice is outstanding) paragraphs (a) to (k) (inclusive) above and (if a Payment Stop Notice is outstanding) paragraphs (a) to (j) (inclusive) above, to the Lock-Up Account.

### ***BORROWER POST-ENFORCEMENT POST-ACCELERATION PAYMENT PRIORITIES***

All Available Enforcement Proceeds (other than (i) amounts standing to the credit of the Defeasance Account which shall be applied as set out in the Issuer/Borrower Loan Agreement and (ii) the Hedge Collateral Excluded Amounts which shall be applied as set out in the section entitled “*Hedge Collateral Excluded Amounts*” below) must, following the delivery of both an Obligor Enforcement Notice and an Obligor Acceleration Notice by the Obligor Security Trustee, be applied (to the extent that it is lawfully able to do so) by or on behalf of the Obligor Security Trustee (or, as the case may be, any receiver appointed by it) for the purpose of enabling the following payments to be made (together with any VAT thereon, as provided for in the relevant Obligor Transaction Document) (the **Borrower Post-Enforcement Post-Acceleration Payment Priorities**):

- (a) **first**, in or towards satisfaction *pro rata* and *pari passu* of the amounts due in respect of:
  - (i) the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Borrower to the Obligor Security Trustee and appointees (if any) of the Obligor Security Trustee (including any receiver appointed by the Obligor Security Trustee); and
  - (ii) the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the remuneration, fees, costs, expenses, indemnity payments and any other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and their appointees (if any) under the Note Trust Deed or the Issuer Deed of Charge (respectively);



- (b) **second**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the fees, costs, expenses and indemnity payments due and payable by the Issuer to the Paying Agents under the Agency Agreement, the Issuer Account Bank under the Issuer Account Bank Agreement, the Issuer Cash Manager under the Issuer Cash Management Agreement, the Servicer and the Special Servicer under the Servicing Agreement and the Corporate Services Provider under the Corporate Services Agreement;
- (c) **third**, in or towards satisfaction of:
  - (i) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of the Issuer Profit Amount (which the Issuer may use to meet any United Kingdom corporation tax thereon); and
  - (ii) any amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee (including, without limitation, in respect of other Third Party Amounts (including any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all other United Kingdom and other Tax for which the Issuer is liable under the laws of any jurisdiction)), to the extent not provided for in another paragraph of this Borrower Post-Enforcement Post-Acceleration Payment Priorities;
- (d) **fourth**, in or towards satisfaction *pro rata* and *pari passu* of the amount due and payable by the Borrower to the Issuer by way of the Issuer/Borrower Facility Fee in respect of all amounts payable by the Issuer to the Issuer LF Providers;
- (e) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (i) all interest due and payable by the Borrower to the Issuer on or in respect of the Issuer/Borrower Facilities; and
  - (ii) all scheduled amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (f) **sixth**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (i) any other payments (including principal and any Repayment Costs) on the Issuer/Borrower Facilities due and payable by the Borrower to the Issuer; and
  - (ii) all unscheduled amounts and termination payments (other than any Subordinated Hedge Amounts) due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (g) **seventh**, in or towards satisfaction *pro rata* and *pari passu* of any Subordinated Hedge Amounts due and payable by the Borrower to the relevant Hedge Counterparties under any Hedging Agreement;
- (h) **eighth**, in or towards satisfaction of all the Permitted Mezzanine Administrative Costs that will become due and payable under the Mezzanine Loan Note Agreement on the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account;
- (i) **ninth**, if no Payment Stop Notice is outstanding, an amount that will become due and payable to the Mezzanine Finance Parties under the Mezzanine Loan Note Agreement on

the next Mezzanine Loan Note Interest Payment Date to the Mezzanine Finance Account (less any Permitted Mezzanine Administrative Costs paid under paragraph (h) above); and

- (j) **tenth**, any surplus remaining following the payment in full of the amounts owing under paragraphs (a) to (i) (inclusive) above to or for the account of the Borrower or to a General Account (unless a Mezzanine Trigger Event is outstanding, when such amounts will be paid to the Mezzanine Lock-Up Account).

#### ***HEDGE COLLATERAL EXCLUDED AMOUNTS***

Prior to the service of an Obligor Acceleration Notice (regardless of whether an Obligor Enforcement Notice has been served), any Hedge Collateral Excluded Amounts shall be applied, in the case of:

- (a) any amounts of collateral previously provided by a Hedge Counterparty to the Borrower in respect of any Hedging Agreement that the Borrower is required to return to such Hedge Counterparty, by return to that Hedge Counterparty in accordance with the terms of that Hedging Agreement;
- (b) the amount of any cash benefit in respect of a Tax Credit received by the Borrower that the Borrower is required to pay to a Hedge Counterparty under any Hedging Agreement, in making such payment in accordance with the terms of that Hedging Agreement; and
- (c) any Hedge Replacement Premium received by the Borrower in respect of any Hedging Agreement entered into to replace a terminated Hedging Agreement, in making payment of amounts due from the Borrower to the relevant Hedge Counterparty in respect of the terminated Hedging Agreement to the extent of such payment.

Following the service of an Obligor Acceleration Notice, any Hedge Collateral Excluded Amounts will be applied, in the case of:

- (a) any amounts of collateral previously provided by a Hedge Counterparty to the Borrower in respect of any Hedging Agreement that the Borrower is required to return to such Hedge Counterparty, by return to that Hedge Counterparty in accordance with the terms of that Hedging Agreement; and
- (b) the amount of any cash benefit in respect of a Tax Credit received by the Borrower that the Obligor is required to pay to a Hedge Counterparty under any Hedging Agreement, in making such payment in accordance with the terms of that Hedging Agreement.

#### **B. ISSUER PAYMENT PRIORITIES**

##### ***ISSUER PRE-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES***

The Issuer Cash Management Agreement provides that, on each Note Interest Payment Date prior to the enforcement of the Issuer Security and/or service of a Note Acceleration Notice by the Note Trustee, monies credited to the Issuer Transaction Account (together with amounts drawn under the Issuer Liquidity Facility and/or withdrawn from any Issuer Liquidity Standby Accounts and/or the Issuer Liquidity Reserve Account), must be applied by the Issuer Cash Manager (on behalf of the Issuer) in the following order of priority in making payment of, or provision for, any amounts then due and payable or which will become due and payable during the Note Interest Period commencing on such Note Interest Payment Date (together with any VAT thereon, as provided for in the relevant Issuer Transaction Documents) in each case only to the extent that preceding paragraphs have been paid or provided for in full and the relevant payment does not cause the Issuer Transaction Account to become overdrawn, and provided further that:

- (a) any amounts raised by the Issuer by way of an issue of Further Notes, Replacement Notes or New Notes and standing to the credit of the relevant Issuer Account shall not be applied by the Issuer, or the Issuer Cash Manager on its behalf, in accordance with the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities and shall instead be advanced by the Issuer to the Borrower pursuant to the Issuer/Borrower Loan Agreement as an Issuer/Borrower Loan corresponding to such Further Notes, Replacement Notes or New Notes;
- (b) any monies drawn under the Issuer Liquidity Facility Agreement or, as the case may be, withdrawn from any Issuer Liquidity Standby Account and/or the Issuer Liquidity Reserve Account in relation to that Note Interest Payment Date shall only be applied towards the payment of paragraphs (i) to (v) (inclusive) of the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities below;
- (c) amounts received by the Issuer from the Borrower by way of the Issuer/Borrower Facility Fee under the Issuer/Borrower Loan Agreement pursuant to paragraph (i) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or paragraph (i) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities (as applicable) shall be deposited directly into the Issuer Liquidity Reserve Account;
- (d) amounts received by the Issuer from the Borrower by way of repayment or prepayment of all or part of any Issuer/Borrower Loan made under the Issuer/Borrower Loan Agreement shall only be applied towards paragraphs (v) and (vii) below; and
- (e) amounts received by the Issuer from the Borrower by way of the Issuer/Borrower Facility Fee toward payment of paragraph (vi) below shall only be applied for such purpose,

(the **Issuer Pre-Enforcement Pre-Acceleration Payment Priorities**):

- (i) **first**, in or towards satisfaction *pro rata* and *pari passu* of the remuneration, fees, costs, expenses, indemnity payments and other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and any of their appointees under the Note Trust Deed or the Issuer Deed of Charge respectively;
- (ii) **second**, in or towards satisfaction *pro rata* and *pari passu* of the fees, costs, expenses and indemnity payments due and payable by the Issuer to:
  - (A) the Paying Agents under the Agency Agreement;
  - (B) the Issuer Account Bank under the Issuer Account Bank Agreement;
  - (C) the Issuer Cash Manager under the Issuer Cash Management Agreement;
  - (D) the Servicer and the Special Servicer under the Servicing Agreement;
  - (E) the Corporate Services Provider under the Corporate Services Agreement; and
  - (F) the LF Agent under the Issuer Liquidity Facility Agreement;
- (iii) **third**, in or towards satisfaction *pro rata* and *pari passu* of:
  - (A) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors (including, but not limited to, the fees of the Central Bank of Ireland, the Irish Stock Exchange and any listing agent) of

the Issuer during the following Note Interest Period (other than those referred to in the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities following this paragraph), of which the Issuer Cash Manager has notice prior to the relevant Determination 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 in the relevant Issuer Payment Priorities (together, **Third Party Amounts**);

- (B) the Issuer Profit Amount (which the Issuer may use to meet any United Kingdom corporation tax thereon); and
  - (C) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all other United Kingdom and other Tax for which the Issuer is liable under the laws of any jurisdiction;
- (iv) **fourth**, in or towards satisfaction of the Issuer's obligation to pay the Issuer LF Providers under the Issuer Liquidity Facility Agreement in respect of amounts due and payable by the Issuer (other than in respect of amounts payable under paragraph (vi) below);
  - (v) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of interest due or overdue but unpaid under the Notes;
  - (vi) **sixth**, commencing on and following a Relevant Issuer Liquidity Standby Loan Amortisation Date, in or towards prepayment by the Issuer of any Relevant Issuer Liquidity Standby Loans using Issuer/Borrower Facility Fees received for such purpose;
  - (vii) **seventh**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of principal and premium (if any) due or overdue but unpaid under the Notes;
  - (viii) **eighth**, all amounts due and payable by the Issuer to any party that are not otherwise paid above; and
  - (ix) **ninth**, any surplus to the Borrower, to the extent possible by way of reimbursement of any Issuer/Borrower Facility Fees paid by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement but not used by the Issuer (but without any limitation on the amount payable).

### **ISSUER POST-ENFORCEMENT PRE-ACCELERATION PAYMENT PRIORITIES**

The Issuer Deed of Charge provides that all monies received by the Issuer or the Issuer Security Trustee and all monies standing to the credit of the Issuer Transaction Account following the enforcement of the Issuer Security but prior to the delivery of a Note Acceleration Notice by the Note Trustee (together with amounts drawn under the Issuer Liquidity Facility and/or withdrawn from any Issuer Liquidity Standby Accounts and/or the Issuer Liquidity Reserve Account, which shall only be applied towards the payment of paragraphs (i) to (v) (inclusive) of the Issuer Post-Enforcement Pre-Acceleration Payment Priorities below) shall be applied for the purpose of enabling the following payments (together with any VAT thereon, as provided for in the relevant Issuer Transaction Document) to be made in the following order of priority, provided that:

- (a) amounts received by the Issuer from the Borrower by way of the Issuer/Borrower Facility Fee under the Issuer/Borrower Loan Agreement pursuant to paragraph (i) of the Borrower Pre-Enforcement Pre-Acceleration Payment Priorities or paragraph (i) of the Borrower Post-Enforcement Pre-Acceleration Payment Priorities (as applicable) shall be deposited directly into the Issuer Liquidity Reserve Account;

- (b) amounts received by the Issuer from the Borrower by way of repayment or prepayment of all or part of any Issuer/Borrower Loan made under the Issuer/Borrower Loan Agreement shall only be applied towards paragraphs (v) and (vii) below; and
- (c) amounts received by the Issuer from the Borrower by way of the Issuer/Borrower Facility Fee toward paragraph (vi) below shall only be applied for such purpose,

(the **Issuer Post-Enforcement Pre-Acceleration Payment Priorities**):

- (i) **first**, in or towards satisfaction *pro rata* and *pari passu* of the remuneration, fees, costs, expenses, indemnity payments and other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and any of their appointees under the Note Trust Deed or the Issuer Deed of Charge, respectively (including any receiver appointed by the Issuer Security Trustee);
- (ii) **second**, in or towards satisfaction *pro rata* and *pari passu* of the fees, costs, expenses and indemnity payments due and payable by the Issuer to:
  - (A) the Paying Agents under the Agency Agreement;
  - (B) the Issuer Account Bank under the Issuer Account Bank Agreement;
  - (C) the Issuer Cash Manager under the Issuer Cash Management Agreement;
  - (D) the Servicer and the Special Servicer under the Servicing Agreement;
  - (E) the Corporate Services Provider under the Corporate Services Agreement; and
  - (F) the LF Agent under the Issuer Liquidity Facility Agreement;
- (iii) **third**, in or towards satisfaction of the Issuer Profit Amount (which the Issuer may use to meet any United Kingdom corporation tax thereon);
- (iv) **fourth**, in or towards satisfaction of the Issuer's obligation to pay the Issuer LF Providers under the Issuer Liquidity Facility Agreement in respect of amounts owed by the Issuer (other than in respect of amounts payable under paragraph (vi) below);
- (v) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of interest due or overdue but unpaid under the Notes;
- (vi) **sixth**, commencing on and following a Relevant Issuer Liquidity Standby Loan Amortisation Date, in or towards prepayment by the Issuer of any Relevant Issuer Liquidity Standby Loans using Issuer/Borrower Facility Fees received by the Issuer for such purpose in accordance with the Issuer/Borrower Loan Agreement;
- (vii) **seventh**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of principal and premium (if any) due or overdue but unpaid under the Notes;
- (viii) **eighth**, any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all other United Kingdom and other Tax for which the Issuer is liable under the laws of any jurisdiction;
- (ix) **ninth**, all amounts due and payable by the Issuer to any party that are not otherwise paid under paragraph (iii) above; and

- (x) **tenth**, any surplus to the Borrower, to the extent possible by way of reimbursement of any Issuer/Borrower Facility Fees paid by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement but not used by the Issuer (but without any limitation on the amount payable).

### ***ISSUER POST-ENFORCEMENT POST-ACCELERATION PAYMENT PRIORITIES***

The Issuer Deed of Charge provides that all monies received by the Issuer or the Issuer Security Trustee and all monies standing to the credit of the Issuer Transaction Account following the delivery of a Note Acceleration Notice by the Note Trustee shall be applied for the purpose of enabling the following payments (together with any VAT thereon, as provided for in the relevant Issuer Transaction Document) to be made in the following order of priority (the **Issuer Post-Enforcement Post-Acceleration Payment Priorities**):

- (i) **first**, in or towards satisfaction *pro rata* and *pari passu* of the remuneration, fees, costs, expenses, indemnity payments and other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and any of their appointees under the Note Trust Deed or the Issuer Deed of Charge (including any receiver appointed by the Issuer Security Trustee);
- (ii) **second**, in or towards satisfaction *pro rata* and *pari passu* of the fees, costs, expenses and indemnity payments due and payable by the Issuer to:
  - (A) the Paying Agents under the Agency Agreement;
  - (B) the Issuer Account Bank under the Issuer Account Bank Agreement;
  - (C) the Issuer Cash Manager under the Issuer Cash Management Agreement;
  - (D) the Servicer and the Special Servicer under the Servicing Agreement;
  - (E) the Corporate Services Provider under the Corporate Services Agreement; and
  - (F) the LF Agent under the Issuer Liquidity Facility Agreement;
- (iii) **third**, in or towards satisfaction of the Issuer's obligation to pay the Issuer Liquidity Facility under the Issuer Liquidity Facility Agreement in respect of amounts due and payable by the Issuer;
- (iv) **fourth**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of interest due or overdue but unpaid under the Notes;
- (v) **fifth**, in or towards satisfaction *pro rata* and *pari passu* of all amounts of principal and premium (if any) due or overdue but unpaid under the Notes;
- (vi) **sixth**, the Issuer Profit Amount (which the Issuer may use to meet any United Kingdom corporation tax thereon);
- (vii) **seventh**, all amounts due and payable by the Issuer to any party that are not otherwise paid above; and
- (viii) **eighth**, any surplus to the Borrower, to the extent possible by way of reimbursement of any Issuer/Borrower Facility Fees paid by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement but not used by the Issuer (but without any limitation on the amount payable).

## DESCRIPTION OF CERTAIN PARTIES

### A. THE ISSUER

#### **GENERAL**

Student Finance plc (the **Issuer**), formerly known as “Roost Finance plc”, is a special purpose vehicle incorporated and registered in England on 1 November 2016 with company number 10456685 as a public company with limited liability.

The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer is +44 (0)20 7398 6300. The share capital of the Issuer is £50,000 divided into 50,000 ordinary shares with a denomination of £1 each, all of which are issued and paid up (49,999 as to £0.25 each and one fully paid up) and held by Issuer Holdco, a limited liability company.

#### **BUSINESS**

The Issuer was incorporated as a special purpose vehicle for issuing securities. The other principal activities of the Issuer will be the acquiring, holding and managing of its rights and assets under the Issuer/Borrower Loan Agreement and the other Issuer Transaction Documents to which it is party and the execution and performance thereof, all of which are activities incidental or ancillary to the issuance of securities. The Issuer has no subsidiaries or employees.

#### **BOARD OF DIRECTORS**

The board of directors of the Issuer is composed of three directors.

The current directors of the Issuer are as follows:

<b>Name</b>	<b>Business address</b>	<b>Title</b>
Claudia Wallace	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director

The secretary of the Issuer is Intertrust Corporate Services Limited.

#### **ACCOUNTS**

The Issuer's fiscal year starts on 1 January and ends on 31 December each year, except for the first fiscal year that started on the date of incorporation of the Issuer and ends on 31 December 2017. The Issuer's first set of audited financial accounts will be prepared as at 31 December 2017 and, when available, may be obtained at the registered office of the Issuer during normal business hours on any Business Day as long as any of the Notes remain outstanding.

#### **AUDITORS**

The Issuer's independent auditors are Deloitte LLP, a limited liability partnership incorporated and existing under the laws of England and Wales, registered with Companies House under number

OC303675 having its registered office at 2 New Street Square, London EC4A 3BZ and is a member of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (**DTTL**), who have been appointed by the board of directors of the Issuer by a resolution dated 14 November 2016.

### ***CORPORATE SERVICES AGREEMENT***

Under a corporate services agreement entered into by the Issuer, the Issuer Holdco and Intertrust Management Limited (the **Corporate Services Provider**) on or about the Closing Date (the **Corporate Services Agreement**), Intertrust Management Limited has been appointed as the **Corporate Services Provider** of the Issuer. Under the terms of the Corporate Services Agreement, the Corporate Services Provider will provide certain services to the Issuer and be responsible for the day-to-day administrative activities of the Issuer, including accounting, tax, secretarial, clerical and related services to the Issuer and maintaining the books and records of the Issuer in accordance with the applicable law.

Pursuant to the terms of the Corporate Services Agreement, the Issuer may, upon an event of default by the Corporate Services Provider, at any time terminate the Corporate Services Provider's appointment and appoint (in accordance with the terms of the Corporate Services Agreement) a successor corporate services provider.

Events of default in respect of the Corporate Services Provider include, *inter alia*:

- (a) a material breach of the terms of the Corporate Services Agreement (where such breach is not remedied within 30 days (or such other period as may be agreed between the parties)); and
- (b) the occurrence of certain insolvency related events in relation to the Corporate Services Provider.

In addition, the Corporate Services Provider may resign by giving at least 30 days' notice to the Issuer, the Issuer Holdco and the Issuer Holdco Share Trustee.

If the Issuer or (following the service of a notice served by the Issuer Security Trustee to the Issuer, the Note Trustee, the Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Agents, the Issuer LF Providers and the Corporate Services Provider upon the earlier of (a) enforcement of the Issuer Security and (b) service of a Note Acceleration Notice (an **IST Notice**)) the Issuer Security Trustee is directed by the Noteholders (acting by Extraordinary Resolution) that the Corporate Services Provider be replaced, the Issuer or the Issuer Security Trustee (as applicable) must (by written notice to the Corporate Services Provider) terminate the appointment of the Corporate Services Provider, provided a substitute corporate services provider has been appointed by the Issuer.

Regardless of the reason, the termination of the appointment of the Corporate Services Provider will not take effect until a successor corporate services provider has been appointed in its place.

The Corporate Services Agreement also contains certain provisions for the indemnification of the Corporate Services Provider. Pursuant to its terms, the Corporate Services Provider is entitled to certain fees in relation to the services to be provided by it under the Corporate Services Agreement.

The Corporate Services Agreement is governed by English law.



## ***COMMENCEMENT OF OPERATIONS***

The Issuer has not engaged, since its incorporation, in any activities other than those incidental or ancillary to the issuance of securities. The Issuer has only carried on activities since 1 November 2016, its date of incorporation.

The Issuer has not been subject to any governmental, legal or arbitration proceedings and is not aware of any such proceedings pending or threatened since its date of incorporation

## ***CONFLICTS OF INTEREST***

There are no potential conflicts of interest between any duties of the board of directors to the Issuer and their respective private interests and/or other duties.

## ***RECENT DEVELOPMENTS***

Since the date of incorporation of the Issuer, there have been no material adverse changes in its financial position or prospects and no significant changes in its financial or trading positions.

## **B. THE ISSUER HOLDCO**

### ***INTRODUCTION***

Student Finance Holdings Limited (the **Issuer Holdco**) was incorporated in England and Wales on 1 November 2016 (with registered number 10456554) as a private company with limited liability under the Companies Act. The registered office of the Issuer Holdco is at 35 Great St. Helen's, London EC3A 6AP.

The Issuer Holdco's issued share capital as at the date of this Prospectus is one ordinary share which is fully paid up. The Issuer Holdco's issued share capital is held by Intertrust Corporate Services Limited (in such capacity, the **Issuer Holdco Share Trustee**). The shares held by the Issuer Holdco Share Trustee are held under the terms of a discretionary trust established under English law pursuant to the terms of a declaration of trust dated 22 November 2016.

### ***PRINCIPAL ACTIVITIES***

The Issuer Holdco is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of the Issuer and certain changes to its name, the Issuer Holdco has not engaged in any other activities.

The Issuer Holdco holds all of the issued share capital of the Issuer (other than one ordinary share of the Issuer which is held by the Issuer Holdco Share Trustee on trust for the Issuer Holdco).

The Issuer Holdco has no employees.

The current financial period of the Issuer Holdco will end on 31 December 2017.

### ***DIRECTORS AND SECRETARY***

The directors of the Issuer Holdco and their respective addresses are:

<b>Name</b>	<b>Business address</b>	<b>Title</b>
Claudia Wallace	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London, United Kingdom, EC3A 6AP	Director

The secretary of the Issuer Holdco is Intertrust Corporate Services Limited.

### ***CORPORATE SERVICES AGREEMENT***

Pursuant to the terms of the Corporate Services Agreement (see "*The Issuer – Corporate Services Agreement*" above), the Corporate Services Provider provides certain directors to the Issuer Holdco and the Corporate Services Provider also provides other corporate services to the Issuer Holdco in consideration for the payment by the Issuer Holdco (or the Issuer on its behalf) of an annual fee to the Corporate Services Provider.

Pursuant to the terms of the Corporate Services Agreement, the Issuer Holdco may, upon an event of default by the Corporate Services Provider, at any time terminate the Corporate Services Provider's appointment and appoint (in accordance with the terms of the Corporate Services Agreement) a successor corporate services provider.

Events of default in respect of the Corporate Services Provider include, *inter alia*:

- (a) a material breach of the terms of the Corporate Services Agreement (where such breach is not remedied within 30 days (or such other period as may be agreed between the parties)); and
- (b) the occurrence of certain insolvency related events in relation to the Corporate Services Provider.

In addition, the Corporate Services Provider may resign by giving at least 30 days' notice to the Issuer, the Issuer Holdco and the Issuer Holdco Share Trustee.

Regardless of the reason, the termination of the appointment of the Corporate Services Provider will not take effect until a successor corporate services provider has been appointed in its place.

The Corporate Services Agreement also contains certain provisions for the indemnification of the Corporate Services Provider. Pursuant to its terms, the Corporate Services Provider is entitled to certain fees in relation to the services to be provided by it under the Corporate Services Agreement.

The Corporate Services Agreement is governed by English law.

## **C. THE BORROWER**

### ***GENERAL***

GL Europe RE Holdings S.à r.l. (the **Borrower**) is registered with the Luxembourg trade and companies register with registered number B 179625. The Borrower was incorporated on 13 August 2013 in Luxembourg as a *société à responsabilité limitée* under the Luxembourg law dated

10 August 1915 on commercial companies, as amended. The registered office of the Borrower is at 1, rue Schiller, L-2519 Luxembourg. The telephone number of the Borrower is +352 26 44 91.

On 9 December 2016, the Borrower merged with BSREP II PBSA Bidco S.à r.l.

The Borrower is a subsidiary of BSREP II PBSA Midco S.à r.l. (registered number B 204623) (being the Borrower Holdco). The issued share capital of the Borrower is £20,000 and each share is issued and fully paid up. As at the date of this Prospectus the Borrower's shares are held by the Borrower Holdco.

Except for the general restrictive provisions in the relevant articles of association and Luxembourg law there are no specific measures in place to ensure that control of the Borrower by its owner is not abused.

The Borrower is indirectly owned (through wholly owned intermediate holding companies) by certain funds managed by affiliates of Brookfield Asset Management Inc. (the **Brookfield Funds**).

Brookfield Asset Management Inc. (**Brookfield**) is a global alternative asset manager with U.S.\$250 billion in assets under management. The Brookfield portfolio includes stakes in assets such as Canary Wharf in London, Centre Parcs throughout England and Fairfield Residential in North America. The company has over 100 years of history of owning and operating assets with a focus on property, renewable energy, infrastructure and private equity. Brookfield owns and manages one of the largest portfolios of premier office properties and renewable energy generating facilities as well as long-life infrastructure assets that include utilities, transport and energy and timberlands in North and South America, Australia and Europe. Brookfield also owns a large portfolio of residential properties, hotels and other accommodations worldwide. Its assets are held through a growing portfolio of private funds and public listed entities. Brookfield is listed on the NYSE, TSX and Euronext Amsterdam under the symbol BAM, BAM.A and BAMA, respectively.

Neither Brookfield nor the Brookfield Funds are an Obligor and neither of them has provided any guarantee or assurance in respect of the obligations of the Issuer or the Obligors.

## ***BUSINESS***

The principal purpose of the Borrower is to raise debt from time to time and to acquire, hold and manage its rights, obligations and assets under the Issuer/Borrower Loan Agreement, the Intra-Group Loans and the other Obligor Transaction Documents to which it is party and the execution and performance thereof. The Borrower has no employees.

As at the date of this Prospectus, the Borrower has outstanding indebtedness under the Bridge Facility Agreement and pursuant to Intra-Group Loans.

## ***BOARD OF MANAGERS***

The board of managers of the Borrower is composed of four managers.

The current managers of the Borrower are as follows:

<b>Name</b>	<b>Business address</b>	<b>Title</b>
Martin Paul Galliver	6 rue Eugène Ruppert, L-2453 Luxembourg	Manager B
Luc Leroi	13A rue de Clairefontaine, L-8460 Eischen Luxembourg	Manager A
Douwe Terpstra	6 rue Eugène Ruppert, L-2453 Luxembourg	Manager B
Damien Warde	22 rue Siggy vu Letzebuerg, L-1933 Luxembourg	Manager A

### ***ACCOUNTS***

The Borrower's fiscal year starts on 1 January and ends on 31 December each year, except for the first fiscal year that started on the date of incorporation of the Borrower. The audited consolidated annual accounts of the Borrower may be obtained at the registered office of the Borrower during normal business hours on any Business Day as long as any of the Notes remain outstanding.

### ***AUDITORS***

The Borrower's independent auditors are Deloitte Audit S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of Luxembourg, registered with the Luxembourg Trade and companies register under number B0067895, having its registered office at 560, rue de Neudorf, L-2220 Luxembourg. Deloitte Audit S.à r.l. will be appointed by the board of managers of the Borrower on or about the Closing Date.

### ***COMMENCEMENT OF OPERATIONS***

The Borrower has carried on activities since 13 August 2013, its date of incorporation.

The Borrower has not been subject to any governmental, legal or arbitration proceedings and is not aware of any such proceedings pending or threatened since its date of incorporation.

### ***CONFLICTS OF INTEREST***

There are no potential conflicts of interest between any duties of the managers to the Borrower and their respective private interests and/or other duties.

## **D. THE PROPCOS, THE BORROWER HOLDCO AND THE OBLIGOR HOLDCOS**

### ***GENERAL***

Each Propco, the Borrower Holdco, each Obligor Holdco, the Borrower (see "*The Borrower*" above for more information), each Management Company (see "*The Management Companies*" below for more information) and any other entity which accedes to, among other documents, the Obligor Deed of Charge in its capacity as such, is an Obligor.

The Obligors together constitute the Obligor Group. Each Obligor will guarantee the obligations of the Borrower and each other Obligor pursuant to the Obligor Guarantees and in accordance with the terms of the Obligor Deed of Charge.

As at the Closing Date, the following companies, in addition to the Management Companies, constitute the Obligor Group:

BSREP II PBSA Midco S.à r.l.	Borrower Holdco
GL Europe RE Holdings S.à r.l.	Borrower
PBSA Holdings S.à r.l.	Obligor Holdco 1
GL Europe RE1 Holdings S.à r.l.	Obligor Holdco 2
PBSA 1 S.à r.l.	Propco 1
PBSA 2 S.à r.l.	Propco 2
PBSA 3 S.à r.l.	Propco 3

The description of the Borrower is contained in the section of this Prospectus entitled "*The Borrower*" above. The description of the Management Companies is contained in the section of this Prospectus entitled "*The Management Companies*" below. This section contains the description of the Propcos, the Obligor Holdcos and the Borrower Holdco.

Each of PBSA 1 S.à r.l. (registered number B179 682) (**Propco 1**), PBSA 2 S.à r.l. (registered number B179 679) (**Propco 2**) and PBSA 3 S.à r.l. (registered number B183 512) (**Propco 3**, together with Propco 1 and Propco 2, the **Propcos**) were incorporated in Luxembourg as *sociétés à responsabilité limitée* under the Luxembourg law dated 10 August 1915 on commercial companies, as amended. The registered office of each of the Propcos is at 1, rue Schiller, L-2519 Luxembourg. Each Propco is organised as a property owning company and a holding company and its activities are limited accordingly.

Each Propco is a subsidiary of GL Europe RE1 Holdings S.à r.l. (registered number B 179,627) (**Obligor Holdco 2**), which in turn is a subsidiary of PBSA Holdings S.à r.l. (registered number B 210553) (**Obligor Holdco 1**) (Obligor Holdco 1 and Obligor Holdco 2, together the **Obligor Holdcos**). The Obligor Holdcos were incorporated in Luxembourg as *sociétés à responsabilité limitée* under the Luxembourg law dated 10 August 1915 on commercial companies, as amended. The registered office of each of the Obligor Holdcos is at 1, rue Schiller, L-2519 Luxembourg. Each Obligor Holdco is organised as a holding company and its activities are limited accordingly.

Except for the general restrictive provisions in the relevant articles of association and Luxembourg law there are no specific measures in place to ensure that control of the Obligor Holdcos or the Propcos by their respective owners is not abused.

The Borrower is a subsidiary of BSREP II PBSA Midco S.à r.l. (registered number B 204 623) (the **Borrower Holdco**). Borrower Holdco was incorporated in Luxembourg as a *société à responsabilité limitée*. The registered office of the Borrower Holdco is at 1, rue Schiller, L-2519 Luxembourg. The Borrower Holdco is organised as a holding company and its activities are limited accordingly.

The telephone number of the Obligor Holdcos and the Propcos is +352 26 44 91.

<b>Obligor</b>	<b>Date of incorporation</b>
BSREP II PBSA Midco S.à r.l.	26 February 2016
PBSA Holdings S.à r.l.	4 November 2016
GL Europe RE1 Holdings S.à r.l.	13 August 2013
PBSA 1 S.à r.l.	13 August 2013
PBSA 2 S.à r.l.	13 August 2013
PBSA 3 S.à r.l.	9 December 2013

### ***CAPITALISATION AND INDEBTEDNESS***

The issued share capital of the Borrower Holdco is £1,120,000 and each share is issued and fully paid up and held by BSREP II Mezz Borrower S.à r.l. (registered number B 210545) (the **Mezzanine Loan Note Issuer**).

The issued share capital of Obligor Holdco 1 is £20,000, divided into 20,000 ordinary shares and each share is issued and fully paid up and held by the Borrower.

The issued share capital of Obligor Holdco 2 is £12,000 and each share is issued and fully paid up and held by PBSA Holdings S.à r.l..

The issued share capital of each Propco is £12,000 and each share is issued and fully paid up and held by GL Europe RE1 Holdings S.à r.l..

### ***PRINCIPAL ACTIVITIES OF BORROWER HOLDCO AND THE OBLIGOR HOLDCOS***

The principal purpose of the Borrower Holdco and the Obligor Holdcos is to acquire, hold and manage their rights, obligations and assets under the Obligor Transaction Documents and the Mezzanine Transaction Documents to which each is party, and the execution and performance thereof. The Borrower Holdco and the Obligor Holdcos have no employees.

### ***PRINCIPAL ACTIVITIES OF THE PROPCOS***

Propco 1 owns:

- (a) the Sheffield 3 Property (namely the part freehold and part long leasehold interest in the Sheffield 3 Property) and leases it to the Sheffield Management Company (the **Sheffield 3 Lease**);
- (b) the Newcastle 1 Property and leases it to the Newcastle 1 Management Company (the **Newcastle 1 Lease**);
- (c) the Sheffield 2 Property and leases it to the Sheffield 2 Management Company (the **Sheffield 2 Lease**);
- (d) the Snowdon Hall Property and leases it to the Wrexham Management Company (the **Wrexham Lease**);

- (e) the Regents Court Property and leases it to the Regents Court Management Company (the **Regents Court Lease**); and
- (f) the Newarke Street Property and leases it to the Newarke Management Company (the **Newarke Lease**).

Propco 2 owns:

- (a) the Nottingham Property and leases it to the Nottingham Management Company (the **Nottingham Lease**);
- (b) the long leasehold interests in the Trinity Square Property and leases it to the Trinity Management Company (the **Trinity Lease**);
- (c) the Upperton Road Property and leases it to the Upperton Management Company (the **Upperton Lease**); and
- (d) the Eastern Boulevard Property and leases it to the Eastern Boulevard Management Company (the **Eastern Boulevard Lease**).

Propco 3 owns:

- (a) the Summit Property and leases it to the Summit Management Company (the **Summit Lease**);
- (b) the Brookland Road Property and leases it to the Brookland Management Company (the **Brookland Lease**); and
- (c) the Queens Court Property and leases it to the Queens Court Management Company (the **Queens Court Lease**).

The principal objectives of each Propco are set out in its articles of incorporation (status) and are, *inter alia*:

- (a) (i) the holding of interests, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, (ii) the holding of loans, bonds, debentures, obligations, notes, advances, claims, participations and sub-participations in bank debt and other debt of Luxembourg or foreign companies acting as debtors, borrowers or obligors and other debt instruments and securities, whether unsecured or secured by equipment, personal property, real property, receivables and other collateral, issued or assumed by companies domiciled either in the Grand Duchy of Luxembourg or abroad, and (iii) the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio;
- (b) to further guarantee, grant security, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or right of any kind or which form part of the same group of companies as such Propco;
- (c) except by way of public offering, to raise funds especially through borrowing in any form or by issuing any kind of notes, securities or debt instruments, bonds and debentures and generally issue securities of any type;
- (d) the acquisition and sale of real estate properties either in the Grand Duchy of Luxembourg or abroad, including the direct or indirect holding of participations in Luxembourg or foreign

companies, the principal object of which is the acquisition, development, promotion, sale, management and/or lease of real estate properties; and

- (e) to carry out any commercial, industrial, financial, real estate or intellectual property activities which it considers useful for the accomplishment of these purposes.

### ***ACQUISITION OF THE PROPERTIES***

The Propcos acquired the Properties on the following dates:

- (a) Sheffield 3 Property: 4 October 2013;
- (b) Newcastle 1 Property: 4 July 2014;
- (c) Snowdon Hall Property: 12 January 2016 (although the Snowdon Hall Property was originally acquired by a company related to the relevant Propco on 4 October 2013);
- (d) Regents Court Property: 22 April 2014;
- (e) Sheffield 2 Property: 15 September 2014;
- (f) Newarke Street Property: 28 November 2014;
- (g) Nottingham Property: Nottingham 1 Property and Nottingham 2 Property: 4 October 2013; and Nottingham 3 (which comprises the part of the Property known as Phase 3, Opal One, Midland Way, Nottingham): 19 December 2013;
- (h) Trinity Square Property: 31 October 2013;
- (i) Upperton Road Property: 18 February 2015;
- (j) Eastern Boulevard Property: 18 February 2015;
- (k) Summit Property: 22 April 2014;
- (l) Brookland Road Property: 28 November 2014; and
- (m) Queens Court Property: 22 April 2014.

### ***BOARD OF MANAGERS***

The managers of the Borrower Holdco and their respective addresses are:

<b>Name</b>	<b>Business address</b>
Martin Paul Galliver	6 rue Eugène Ruppert, L-2453 Luxembourg
Luc Leroi	13A rue de Clairefontaine, L-8460 Eischen Luxembourg
Damien Warde	22 rue Siggy vu Letzebuerg, L-1933 Luxembourg



The managers of the Obligor Holdco 2 and their respective addresses are:

<b>Name</b>	<b>Business address</b>
Martin Paul Galliver	6 rue Eugène Ruppert, L-2453 Luxembourg
Douwe Terpstra	6 rue Eugène Ruppert, L-2453 Luxembourg
Luc Leroi	13A rue de Clairefontaine, L-8460 Eischen Luxembourg
Damien Warde	22 rue Siggy vu Letzebuerg, L-1933 Luxembourg

The managers of the Obligor Holdco 1 and their respective addresses are:

<b>Name</b>	<b>Business address</b>
Martin Paul Galliver	6 rue Eugène Ruppert, L-2453 Luxembourg
Luc Leroi	13A rue de Clairefontaine, L-8460 Eischen Luxembourg
Damien Warde	22 rue Siggy vu Letzebuerg, L-1933 Luxembourg

The managers of the Propcos and their respective addresses are:

<b>Name</b>	<b>Business address</b>
Martin Paul Galliver	6 rue Eugène Ruppert, L-2453 Luxembourg
Douwe Terpstra	6 rue Eugène Ruppert, L-2453 Luxembourg
Luc Leroi	13A rue de Clairefontaine, L-8460 Eischen Luxembourg
Damien Warde	22 rue Siggy vu Letzebuerg, L-1933 Luxembourg

### ***FINANCIAL INFORMATION***

Individual financial accounts for the Borrower Holdco, the Obligor Holdcos and the Propcos are prepared for each financial year of each company. The financial year of each of the Borrower Holdco, the Obligor Holdcos and the Propcos starts on 1 January and ends on 31 December each year, except for the first fiscal year that started on the date of incorporation of the relevant company.

### ***RECENT DEVELOPMENTS***

Other than as set out in the Unaudited *Pro Forma* Financial Information, since the date of the Borrower's Consolidated Accounts, there have been no material adverse changes in the respective consolidated financial position or prospects and (other than as set out in the Unaudited *Pro Forma* Financial Information) no significant changes in the respective consolidated financial or trading positions of each of the Obligor Holdcos and, in respect of each Propco, since the date of the audited annual accounts of each Propco for the year ended 31 December 2015.

## **CONFLICTS OF INTEREST**

Each of the Borrower Holdco, the Obligor Holdcos and the Propcos has confirmed that it has no conflict or potential conflict of interest in relation to any of the transactions described in this Prospectus. There are no potential conflicts of interest between any duties to the Borrower Holdco, the Obligor Holdcos and the Propcos of the members of the board of managers of each respective company and their respective private interests and/or other duties.

## **E. THE MANAGEMENT COMPANIES**

The Management Companies were established to manage the student accommodation business with respect to the Properties.

In order to do this, each Management Company has entered into a lease of the relevant Property with the relevant Propco, as described in the section of this Prospectus entitled "*Property Portfolio*". Each Management Company has also entered into a facility management agreement with a Facility Manager – see the section entitled "*Facility Management Agreements*" for further details.

## **DESCRIPTION OF THE MANAGEMENT COMPANIES**

	<b>Company</b>	<b>Principal business activities</b>
1.	GL Europe South Yorkshire UK Limited (the <b>Sheffield Management Company</b> ) (company number: 08706240) was incorporated in England and Wales on 25 September 2013 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Sheffield Management Company is a wholly owned subsidiary of Propco 1.	<p>The principal business of the Sheffield Management Company is to manage the student accommodation business at the Sheffield 3 Property. In order to do this, the Sheffield Management Company entered into a lease for the Sheffield 3 Property with Propco 1 dated 4 October 2013.</p> <p>The Sheffield Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Sheffield 3 Property.</p>

	<b>Company</b>	<b>Principal business activities</b>
2.	<p>GL Europe Nottingham UK Limited (the <b>Nottingham Management Company</b>) (company number: 08706238) was incorporated in England and Wales on 25 September 2013 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Nottingham Management Company is a wholly owned subsidiary of Propco 2.</p>	<p>The principal business of the Nottingham Management Company is to manage the student accommodation business at the Nottingham Property. In order to do this, the Nottingham Management Company has entered into a lease with Propco 2 in respect of the Nottingham Property dated 4 October 2013 and a lease in respect of Phase 3, Opal One, Midland Way, Nottingham NG7 3LP dated 19 December 2013.</p> <p>The Nottingham Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016 in relation to the Nottingham Property. Under such agreement, Derwent carries out the accommodation management and facilities management of the Nottingham Property.</p>
3.	<p>GL Europe Trinity Square UK Limited (the <b>Trinity Management Company</b>) (company number: 08706209) was incorporated in England and Wales on 25 September 2013 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Trinity Management Company is a wholly owned subsidiary of Obligor Holdco 2.</p>	<p>The principal business of the Trinity Management Company is to manage the student accommodation business at the Trinity Square Property. In order to do this, Trinity Management Company entered into a lease of the Trinity Square Property with Propco 2 dated 31 October 2013.</p> <p>The Trinity Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Trinity Square Property.</p>
4.	<p>GL Europe Summit UK Limited (the <b>Summit Management Company</b>) (company number: 08906667) was incorporated in England and Wales on 21 February 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Summit Management Company is a wholly owned subsidiary of Propco 3.</p>	<p>The principal business of the Summit Management Company is to manage the student accommodation business at the Summit Property. In order to do this, the Summit Management Company entered into a lease for the Summit Property with Propco 3 dated 25 April 2014.</p> <p>The Summit Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Summit Property.</p>

	Company	Principal business activities
		Additionally, the Summit Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Summit Property to prospective tenants.
5.	GL Europe South Yorkshire UK 2 Limited (the <b>Sheffield 2 Management Company</b> ) (company number: 09200188) was incorporated in England and Wales on 2 September 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Sheffield 2 Management Company is a wholly owned subsidiary of Obligor Holdco 2.	<p>The principal business of the Sheffield 2 Management Company is to manage the student accommodation business at the Sheffield 2 Property. In order to do this, the Sheffield 2 Management Company entered into a lease of the Sheffield 2 Property with Propco 1 dated 19 September 2014.</p> <p>The Sheffield 2 Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Sheffield 2 Property.</p>
6.	GL Europe Newarke UK Limited (the <b>Newarke Management Company</b> ) (company number: 09319739) was incorporated in England and Wales on 20 November 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Newarke Management Company is a wholly owned subsidiary of Obligor Holdco 2.	<p>The principal business of the Newarke Management Company is to manage the student accommodation business at the Newarke Street Property. In order to do this, the Newarke Management Company entered into a lease with Propco 1 in respect of the Newarke Street Property dated 28 November 2014.</p> <p>The Newarke Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016 in relation to the Newarke Street Property. Under such agreement, Derwent carries out the accommodation management and facilities management of the Newarke Street Property.</p> <p>Additionally, the Newarke Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Newarke Street Property to prospective tenants.</p>
7.	GL Europe Brookland UK Limited (the <b>Brookland Management Company</b> ) (company number: 09319582) was incorporated in England and Wales on 19 November 2014 as a private	The principal business of the Brookland Management Company is to manage the student accommodation business at the Brookland Road Property. In order to do this, Brookland Management Company entered into a lease for the Brookland Road Property with Propco 3 dated 28 November 2014.

	<b>Company</b>	<b>Principal business activities</b>
	limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Brookland Management Company is a wholly owned subsidiary of Obligor Holdco 2.	<p>The Brookland Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Brookland Road Property.</p> <p>Additionally, the Brookland Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Brookland Road Property to prospective tenants.</p>
8.	GL Europe Regents Court UK Limited (the <b>Regents Court Management Company</b> ) (company number: <b>08906687</b> ) was incorporated in England and Wales on 21 February 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Regents Court Management Company is a wholly owned subsidiary of Obligor Holdco 2.	<p>The principal business of the Regents Court Management Company is to manage the student accommodation business at the Regents Court Property. In order to do this, Regents Court Management Company entered into a lease for the Regents Court Property with Propco 1 dated 25 April 2014.</p> <p>The Regents Court Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Regents Court Property.</p> <p>Additionally, the Regents Court Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Regents Court Property to prospective tenants.</p>

	<b>Company</b>	<b>Principal business activities</b>
9.	<p>GL Europe QC UK Limited (the <b>Queens Court Management Company</b>) (company number: 08906666) was incorporated in England and Wales on 21 February 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Queens Court Management Company is a wholly owned subsidiary of Obligor Holdco 2.</p>	<p>The principal business of the Queens Court Management Company is to manage the student accommodation business at the Queens Court Property. In order to do this, the Queens Court Management Company entered into a lease of the Queens Court Property with Propco 3 dated 25 April 2014.</p> <p>The Queens Court Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Queens Court Property.</p> <p>Additionally, the Queens Court Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Queens Court Property to prospective tenants.</p>
10.	<p>GL Europe Upperton Road UK Limited (the <b>Upperton Management Company</b>) (company number: 09348151) was incorporated in England and Wales on 9 December 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Upperton Management Company is a wholly owned subsidiary of Obligor Holdco 2.</p>	<p>The principal business of the Upperton Management Company is to manage the student accommodation business at the Upperton Road Property. In order to do this, Upperton Management Company entered into a lease of the Upperton Road Property with Propco 2 dated 18 February 2015.</p> <p>The Upperton Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Upperton Road Property.</p> <p>Additionally, the Upperton Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Upperton Road Property to prospective tenants.</p>

	Company	Principal business activities
11.	<p>GL Europe Eastern Boulevard UK Limited (the <b>Eastern Boulevard Management Company</b>) (company number: 09348168) was incorporated in England and Wales on 9 December 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Eastern Boulevard Management Company is a wholly owned subsidiary of Obligor Holdco 2.</p>	<p>The principal business of the Eastern Boulevard Management Company is to manage the student accommodation business at the Eastern Boulevard Property. In order to do this, Eastern Boulevard Management Company entered into a lease of the Eastern Boulevard Property with Propco 2 dated 18 February 2015.</p> <p>The Eastern Boulevard Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Eastern Boulevard Property.</p> <p>Additionally, the Eastern Boulevard Management Company also entered into a management agreement dated 25 November 2016 with Sulets pursuant to which Sulets is responsible for (among other things) the marketing of the Eastern Boulevard Property to prospective tenants.</p>
12.	<p>GL Europe Blandford Square UK Limited (the <b>Newcastle 1 Management Company</b>) (company number: 09328427) was incorporated in England and Wales on 26 November 2014 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Newcastle 1 Management Company is a wholly owned subsidiary of Obligor Holdco 2.</p>	<p>The principal business of the Newcastle 1 Management Company is to manage the student accommodation business at the Newcastle 1 Property. In order to do this, Newcastle 1 Management Company entered into a lease for the Newcastle 1 Property with Propco 1 dated 25 April 2014.</p> <p>The Newcastle 1 Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Newcastle 1 Property.</p>

	<b>Company</b>	<b>Principal business activities</b>
13.	GL Europe Wrexham UK Limited (the <b>Wrexham Management Company</b> ) (company number: 09776797) was incorporated in England and Wales on 14 September 2015 as a private limited company with limited liability under the Companies Act; its registered office is at 35 Great St Helen's, London, United Kingdom, EC3A 6AP. The Wrexham Management Company is a wholly owned subsidiary of Obligor Holdco 2.	<p>The principal business of the Wrexham Management Company is to manage the student accommodation business at the Snowdon Hall Property. In order to do this, Wrexham Management Company entered into a lease of the Snowdon Hall Property with Propco 1 dated 12 January 2016.</p> <p>The Wrexham Management Company entered into an accommodation management and facilities management agreement with Derwent dated 27 September 2016. Under such agreement, Derwent carries out the accommodation management and facilities management of the Snowdon Hall Property.</p>

#### ***DIRECTORS OF THE MANAGEMENT COMPANIES***

<b>Name</b>	<b>Business address</b>	<b>Principal activities</b>
Natalie Adomait	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director
Timothy Butler	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Chief executive officer
Kevin McCrain	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director
Jason Ross	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Financial director

#### **F. OTHER COMPANIES**

##### **THE ASSET MANAGER**

##### ***GL EUROPE PORTFOLIO ADVISOR LIMITED***

GL Europe Portfolio Advisor Limited was formed on 7 October 2013 to acquire and actively manage student accommodation assets in the UK. GL Europe Portfolio Advisor Limited provides portfolio advice and administrative assistance to the Propcos and executive management services to the Management Companies. Its registered address is 35 Great St Helen's, London, United Kingdom, EC3A 6AP and its business address is 11-12, Pall Mall, 2nd Floor, London, United Kingdom, SW1Y 5LU.

GL Europe Portfolio Advisor Limited is indirectly owned (through wholly owned intermediate holding companies) by the Brookfield Funds and therefore has the same indirect shareholders as the Propcos.



## ***PBSA PORTFOLIO ADVISOR LIMITED***

PBSA Portfolio Advisor Limited, which may succeed GL Europe Portfolio Advisor Limited as Asset Manager, was formed on 21 September 2016 to acquire and actively manage student accommodation assets in the UK. If appointed, PBSA Portfolio Advisor Limited will provide portfolio advice and administrative assistance to the Propcos and executive management services to the Management Companies. Its registered address is 35 Great St Helen's, London, United Kingdom, EC3A 6AP and its business address is 11-12, Pall Mall, 2nd Floor, London, United Kingdom SW1Y 5LU.

PBSA Portfolio Advisor Limited is indirectly owned (through wholly owned intermediate holding companies) by the Brookfield Funds and therefore has the same indirect shareholders as the Propcos.

### ***GENERAL***

Neither Brookfield nor the Brookfield Funds are an Obligor and neither of them have provided any guarantee or assurance in respect of the obligations of the Issuer or the Obligors.

The business's strategy is to assemble a high quality diversified portfolio of student accommodation assets through investments in modern, well-located properties and to proactively manage them to enhance the value of the portfolio.

GL Europe Portfolio Advisor Limited (and in the case of PBSA Portfolio Advisor Limited, if it becomes the Asset Manager) manages over 6,838 beds across the United Kingdom (5,684 of which are in the Property Portfolio).

The Asset Manager team will comprise senior directors and managers with extensive experience in the student accommodation sector and detailed knowledge of the higher education sector in the UK.

### ***Directors of GL Europe Portfolio Advisor Limited***

<b>Name</b>	<b>Business address</b>	<b>Principal activities</b>
Natalie Adomait	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director
Timothy Butler	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Chief executive officer
Kevin McCrain	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director
Jason Ross	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Financial Director
Zachary Vaughan	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director
James Hyler	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Director

### ***Directors of PBSA Portfolio Advisor Limited***

<b>Name</b>	<b>Business address</b>	<b>Principal activities</b>
Timothy Butler	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Chief Executive Officer
Jason Ross	11-12, Pall Mall, 2nd Floor, London SW1Y 5LU	Financial Director

### ***The Asset Manager's strategy***

#### **ASSET SELECTION**

Potential acquisitions are assessed against specific criteria that consider the (a) relevant university city, (b) the individual property and the (c) circumstances of the acquisition.

#### ***University cities***

- (a) The Asset Manager targets cities where there is a pronounced imbalance between the demand from students and the supply of purpose-built student accommodation.
- (b) Target cities will have a minimum full-time population of 15,000 students.
- (c) There should preferably be a minimum of two higher education institutions in the city that attract a large and growing share of international students.
- (d) The city will have institutions ranked in the top 75 in the UK with a particular focus on research-led universities that have a clear long-term investment strategy to improve and expand their academic offering.
- (e) The supply of new student accommodation is likely to be constrained by the strategic development plans of the city.

#### ***Property***

- (a) Location – student accommodation is located close to university campuses and the city amenities.
- (b) Quality – secure, modern en-suite accommodation with a variety of room types and student amenities that is particularly attractive to international students.
- (c) Value for money – rooms will be let at competitive market rents consistent with the location and quality of the property. In many cases, the positioning of our assets means that we face limited competition. Rents are inclusive of utility bills, interest and contents insurance.
- (d) Offering opportunity to grow net income through active revenue management, improved pricing architecture and operational efficiencies.

#### ***Circumstances of the acquisition***

- (a) The primary focus is to source off-market acquisitions using the experience and networks of the Asset Manager's team.

- (b) The Asset Manager has a proven ability to close complex transactions where the expertise and speed of execution of the Asset Manager's team provides a significant competitive advantage.
- (c) The combination of a large network and ability to expediently execute complex acquisitions allows the Asset Manager to invest at attractive yields versus the market.

## **ACTIVE MANAGEMENT STRATEGY**

The asset management strategy combines both active revenue management and investment in the student experience. The Asset Manager has arranged for day-to-day facilities management services to be delivered by a highly reputable and reliable third party facilities management partner.

### *Revenue management*

- (a) Room pricing is primarily focused on value for money versus the competing options for students.
- (b) Typically, the directly comparable competitive set is limited, allowing for flexibility in managing the prices of our student rooms across room types, tenancy lengths and through the letting cycle.
- (c) Tenancies are marketed with a maximum term of up to 51 weeks with an approximately 47-week average length for the 2016/2017 academic year.
- (d) A range of pricing points are available across the Property Portfolio to appeal to a wide breadth of students.

### *Marketing*

- (a) Online and traditional media marketing are carefully planned to target specific students.
- (b) Marketing is initially targeted at existing tenants to encourage them to rebook for the next year. This reduces new tenant acquisition costs and allows us to manage revenue more effectively as the letting cycle progresses.
- (c) Close relationships with universities create opportunities to attract significant numbers of students from a particular institution and establish our accommodation as a preferred choice for students.
- (d) The portfolio properties are listed on all major accommodation websites – and we actively manage our online marketing budget to ensure we rank highly on these sites and also on major search engines.

### *Relationships with universities*

- (a) A key priority is establishing strong relationships with the universities in the cities in which the Obligor operates.
- (b) The Asset Manager takes a partnership approach, fulfilling the needs of universities to accommodate their students while further embedding our properties as the first choice of students.
- (c) The Asset Manager also works with student unions to better understand student needs.

### *Highly skilled staff*

- (a) The Asset Manager views the staff who manage the portfolio properties as key assets and as significant contributors to the success of the business.
- (b) Hall managers are recruited from hospitality or marketing backgrounds. The Asset Manager looks for entrepreneurial managers who take ownership of the operational and financial performance of the property.
- (c) Hall managers are incentivised to deliver growth in net income through revenue maximisation rather than simply maximising occupancy. They are also incentivised on student feedback.
- (d) Staff are supported by Derwent, which provides guidance on industry best practice, knowledge sharing across sites, training and central management resource.

### *Student experience*

- (a) The Asset Manager is committed to offering an independent but secure environment by providing high quality student accommodation within which students can study, make friends and socialise.
- (b) Amenities include, *inter alia*, student lounges, cinema rooms, gymnasiums, communal kitchens, Wi-Fi, coffee shops, etc.
- (c) Events and activities are planned with residents to reflect their requirements and interests and include, *inter alia*, film and sport evenings, cooking classes and barbecues, educational trips to local places of interests and international themed cultural events.
- (d) Security is provided 24 hours a day, 365 days a year by a dedicated on-site team (supported by CCTV) to ensure that our student accommodation is a safe and secure place in which to live, work and study.

### *Capital expenditure*

- (a) A robust lifecycle capital expenditure programme is maintained. The management team meet in March every year to set capital expenditure objectives.
- (b) Capital expenditure is focused on ensuring best-in-class facilities and student-focused service.
- (c) Planning and approvals process ensures money is spent across all areas of the portfolio against "Value Add", "Cyclical" or "Defensive" criteria.

## **MANAGEMENT TEAM**

The Asset Manager has a specialist team of senior directors and managers with extensive experience in relevant fields, which includes development, higher education, asset management and finance. The manager incentives are linked to NOI performance, occupancy and customer satisfaction. The key members of the team are set out below.

### ***TIM BUTLER (CHIEF EXECUTIVE OFFICER)***

Tim is responsible for the strategic direction and leadership of the Asset Manager and has over 20 years' experience in the student accommodation sector.

He was previously a Main Board Director and a principal shareholder in property consultants GL Hearn, and prior to this Tim was a Main Board Director at The UNITE Group plc. His principal role – sitting on the executive board – was to assist in the development of UNITE from a family run Bristol-based private student development and investment company through the 1999 AIM listing to the 2000 full LSE listing as a FTSE company with circa 20,000 beds and the UK's largest provider of student accommodation with a portfolio asset value of approximately £1.5 billion.

Tim was also managing director of its joint venture with the Peabody Trust – Peabody UNITE plc. He assisted in its establishment and was responsible for this innovative joint venture to develop key worker accommodation in London for its four-year duration. He was fundamentally involved in formulating and delivering a successful strategy prior to UNITE buying out Peabody's interest in 2002. He had overall responsibility for sourcing and delivering new schemes in London as well as being responsible for the relationships with higher education institutions and NHS Trusts.

Tim is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Investment Property Forum and British Property Federation Student Accommodation Committee.

### ***JASON ROSS (FINANCE DIRECTOR)***

Jason is responsible for the accounting and risk management of the UK business.

With over 16 years' experience in finance roles, Jason is a qualified Chartered Management Accountant with considerable experience in the hospitality industry.

He has co-founded two businesses, Bar Room Bar – student-focused bars and restaurants bought from the Orchid Pub Group – and Urban and Country Leisure, which he grew from a single site to 14 sites before being approached to be Finance Director for Oakman Inns – an SME hospitality business with a turnover in excess of £15,000,000.

Prior to this, Jason began his career at the Gillette Group, before moving to the Spirit Group – a large national managed hospitality provider – as a senior commercial analyst, managing a portfolio of over 380 hotels, bars and restaurants.

## **THE FACILITY MANAGERS**

### ***DERWENT***

Derwent is experienced in the student accommodation sector and is involved in managing over 18,000 student units for various universities, special purpose vehicles and funds.

### ***SULETS***

Sulets is a letting agency jointly owned and run by the student unions of the University of Leicester and De Montfort University, and is the primary source for students seeking accommodation for these universities.

## **G. THE ISSUER LF PROVIDERS**

### ***HSBC BANK PLC***

HSBC Bank plc and its subsidiaries form a UK-based group providing a broad range of banking products and services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank

Limited, which it held until 1982 when it re-registered and changed its name to Midland Bank plc. In 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in 1999.

The HSBC Group is one of the world's largest banking and financial services organisations, with around 4,000 offices in 70 countries and territories in Europe, Asia, Middle East and North Africa, North America and Latin America. Its total assets at 31 December 2016 were U.S.\$2,375 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short-term senior unsecured and unguaranteed obligations of HSBC Bank plc are, as at the date of this Prospectus, rated P-1 by Moody's and A-1+ by S&P and HSBC Bank plc has a short-term issuer default rating of F1+ from Fitch. The long-term senior unsecured and unguaranteed obligations of HSBC Bank plc are rated Aa2 by Moody's and AA- by S&P and HSBC Bank plc has a long-term issuer default rating of AA- from Fitch.

HSBC Bank plc is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

### ***ROYAL BANK OF CANADA***

Royal Bank of Canada (referred to in this section as **Royal Bank**) is a Schedule I bank under the Bank Act (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec, H3C 3A9, Canada.

Royal Bank is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. Royal Bank and its subsidiaries have over 80,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 35 other countries.

Royal Bank had, on a consolidated basis, as at January 31, 2017, total assets of C\$1,161.8 billion (approximately US\$892.9 billion), equity attributable to shareholders of C\$71.6 billion (approximately US\$55.0 billion) and total deposits of C\$757.5 billion (approximately US\$582.2 billion). The foregoing figures were prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended January 31, 2017.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA (negative outlook) by Standard & Poor's, Aa3 (negative outlook) by Moody's Investors Service and AA (negative outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed annual report on Form 40-F, which includes audited consolidated financial statements, to any person to whom this is delivered. Requests for such copies should be directed to Investor

Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting [rbc.com/investor-relations](http://rbc.com/investor-relations).

The delivery of this does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

### **BARCLAYS BANK PLC**

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'.

Barclays Bank PLC (together with its subsidiary undertakings (the **Bank Group**)) is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in the Group's two home markets of the UK and the U.S.

The Bank Group is focused on two core divisions – Barclays UK and Barclays Corporate & International. Barclays UK comprises the UK retail banking operations, UK consumer credit card business, UK wealth management business and corporate banking for smaller businesses. Barclays Corporate & International comprises the corporate banking franchise, the Investment Bank, the U.S. and international cards business and international wealth management. Assets which do not fit the Bank Group's strategic objectives will continue to be managed in Barclay's non-core and designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC is the ultimate holding company of the Bank Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-2 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A- by Standard & Poor's Financial Services LLC, A1 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

### **H. THE SERVICER AND THE SPECIAL SERVICER**

Solutus Advisors Limited is a limited liability company incorporated under the laws of England and Wales with its offices at 4-6 Throgmorton Avenue, London EC2N 2DL.

Solutus Advisors Limited was formed in 2010 and provides primary servicing, special servicing, back-up servicing, commercial real estate advisory, loan agency and business support services to the European real estate industry. Through its offices in London and Frankfurt, Solutus Advisors Limited has serviced and asset managed in excess of €2,500,000,000 of commercial real estate debt secured by properties in the United Kingdom, Germany, France and Holland, and its senior management team has in excess of 50 years of combined real estate finance experience.

Solutus Advisors Limited is rated as UK Commercial Primary Servicer by Fitch, named as an approved servicer by Moody's and is ranked AVERAGE as a special servicer of commercial mortgages in the United Kingdom by S&P.

## UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The unaudited *pro forma* financial information presented below (the **Unaudited Pro Forma Financial Information**) has been produced for illustrative purposes only and, by its nature addresses a hypothetical situation and, therefore, does not represent the Borrower's (or the Obligor Group's) actual financial position or results. For the avoidance of doubt, the Unaudited *Pro Forma* Financial Information included in the Prospectus contains financial information only in relation to the Obligors (other than the Borrower Holdco) and not any other entity. The *pro forma* financial information is reflective of the financial position of the Obligor Group (other than the Borrower Holdco) as at 31 December 2015 (as if the events listed at paragraphs (a) to (c) below had occurred at such time).

The Unaudited *Pro Forma* Financial Information is compiled on the basis set out in the notes below.

This Unaudited *Pro Forma* Financial Information is presented to illustrate what the balance sheet and profit and loss account of GL Europe RE Holdings S.à r.l. (the "**Borrower**"), on a consolidated basis, might look like if the transactions described below and in the notes to the unaudited *pro forma* balance sheet and profit and loss account below (together, the **Transactions**) had taken place on 31 December 2015 and on the consolidated profit and loss account of the Borrower for the year ended 31 December 2015 as if such Transactions had taken place on 1 January 2015:

- (a) GL Europe RE2 Holdings S.à r.l., GL Europe RE 2 UK Ltd and GL Europe Portfolio Advisor Ltd (which were wholly owned subsidiaries as at 31 December 2015, but are not part of the Obligor Group on the Closing Date) were not part of the Obligor Group on 31 December 2015;
- (b) the property and other assets of GL Europe RE2 Holdings S.à r.l. (other than the Snowden Hall, Wrexham property) were not part of the assets of the Obligor Group on 31 December 2015; and
- (c) the Borrower had already merged with its direct shareholder and the Bridge Facility Agreement had already been drawn down on 31 December 2015 and the existing third party borrowing repaid.

The Borrower's board of managers has compiled the Unaudited *Pro Forma* Financial Information based on the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015, and other sources referred to below as at and for the year ended 31 December 2015 prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated annual accounts, included elsewhere in this Prospectus. Certain adjustments have been extracted from the consolidation schedules prepared by the Borrower's board of managers that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015. The consolidation schedules are not incorporated in this Prospectus and have not been provided to or reviewed by the Central Bank of Ireland. The Unaudited *Pro Forma* Financial Information is presented in pound sterling.

The Unaudited *Pro Forma* Financial Information does not constitute financial statements within the meaning of the Luxembourg Law of 19 December 2002, as amended. The unaudited *pro forma* adjustments are based on available information that management believes are reasonable under the circumstances. The *pro forma* adjustments give effect to events that are directly attributable to the Transactions, are factually supportable and, with respect to the unaudited *pro forma* profit and loss account, are expected to have a continuing impact on the consolidated results. The *pro forma* adjustments are described in the accompanying notes presented on the following pages in "Notes to the Unaudited *Pro Forma* Financial Information". Rounding adjustments to the nearest whole



number have been made, therefore figures shown as total may not be exact arithmetic aggregation of the figures that precede them.

In addition to the matters noted above, the Unaudited *Pro Forma* Financial Information does not reflect the effect of anticipated cost or revenue synergies associated with the Transactions.

Investors should read the Prospectus as a whole and not rely solely on the summarised financial information contained in this section. The report of PricewaterhouseCoopers, Société coopérative on the Unaudited *Pro Forma* Financial Information as required by the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended, and its implementing measures, is set out in this section. The Unaudited *Pro Forma* Financial Information should be read together with the information incorporated by reference in this Prospectus and the information included under the heading "*Alternative Performance Measures*" included elsewhere in this Prospectus.

The Unaudited *Pro Forma* Financial Information is for illustrative purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that the Borrower or the Obligor Group would have reported had the Transactions been completed as at the dates set forth in this Unaudited *Pro Forma* Financial Information and should not be taken as indicative of our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in this Unaudited *Pro Forma* Financial Information for a number of reasons, including, but not limited to, differences between the prepared Unaudited *Pro Forma* Financial Information and actual amounts.

## Unaudited *Pro Forma* Balance Sheet as at 31 December 2015

£	<u>Transactions</u>		Merger with direct shareholder and proceeds from the Bridge Facility Agreement (Note 4)	Repayment of Subordinated debts and Bridge Facility Agreement (Note 5)	<i>Pro Forma</i> Total
	Borrower's Consolidated historical (Note 1)	Disposal of interest in certain entities (Note 2)			
<b>ASSETS</b>					
Formation expenses	3,427,088	-	-		3,427,088
<b>Fixed assets</b>					
Tangible fixed assets	283,606,395	(982,314)	-		282,624,081
	<b>287,033,483</b>	<b>(982,314)</b>	<b>-</b>		<b>286,051,169</b>
<b>Current assets</b>					
Debtors	14,286,282	10,450,555 (Note 2)		(17,809,352)	6,927,485
Cash at bank	16,258,742	(910,855)	34,467,462		49,815,349
	<b>30,545,024</b>	<b>9,539,700</b>	<b>34,467,462</b>	<b>(17,809,352)</b>	<b>56,742,834</b>
<b>TOTAL ASSETS</b>	<b>317,578,507</b>	<b>8,557,386</b>	<b>34,467,462</b>	<b>(17,809,352)</b>	<b>342,794,003</b>
<b>LIABILITIES AND EQUITY</b>					
Total capital and reserves	42,512,578	8,312,591	-		50,825,169
<b>Liabilities</b>					
Subordinated debts	125,624,572	-		(125,624,572)	-
Non subordinated debts	149,441,357	244,795	142,282,682		291,968,834
	<b>275,065,929</b>	<b>244,795</b>	<b>142,282,682</b>	<b>(125,624,572)</b>	<b>291,968,834</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>317,578,507</b>	<b>8,557,386</b>	<b>142,282,682</b>	<b>(125,624,572)</b>	<b>342,794,003</b>

## Notes to the Unaudited *Pro Forma* Balance Sheet as at 31 December 2015

- Note 1** The Borrower's consolidated historical financial information has been derived without material adjustment from the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015, prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated annual accounts, incorporated by reference in this Prospectus.
- Note 2** These adjustments remove the net assets of £8,905,327 of GL Europe RE2 Holdings S.à r.l. (excluding the Snowden Hall, Wrexham property which GL Europe RE2 Holdings S.à r.l. transferred to the Obligor Group), and the net liability of £420,929 of its wholly owned subsidiary GL Europe RE 2 UK Limited and net liability of £171,807 of GL Europe Portfolio Advisor Limited. The breakdown of the adjustments are as below:

£	GL Europe RE2 Holdings S.à r.l.	GL Europe RE 2 UK Limited <sup>4</sup>	GL Europe Portfolio Advisor Limited	Pro Forma Total adjustments
Tangible fixed assets	(890,853) <sup>1</sup>	(35,489)	(55,972) <sup>2</sup>	(982,314)
Debtors	10,476,631 <sup>3</sup>	(88,456)	62,380 <sup>4</sup>	10,450,555
Cash	(663,208) <sup>2</sup>	(194,222)	(53,425) <sup>2</sup>	(910,855)
Non-subordinated debts	(17,243) <sup>2</sup>	(102,762)	(124,790) <sup>4</sup>	(244,795)
<b>Net asset disposed</b>	<b>8,905,327</b>	<b>(420,929)</b>	<b>(171,807)</b>	<b>8,312,591</b>

<sup>1</sup> This adjustment represents tangible fixed assets of £3,230,853 sourced from the audited financial statements of GL Europe RE2 Holdings S.à r.l. for the year ended 31 December 2015, net of the disposal of Wrexham property for £2,340,000 to the Obligor Group per the Agreement for Sale dated 12 January 2016.

<sup>2</sup> Sourced from respective audited financial statements for the year ended 31 December 2015 and 27 December 2015 for GL Europe RE2 Holdings S.à r.l. and GL Europe Portfolio Advisor Limited, respectively.

<sup>3</sup> Refer to Note 3 below.

<sup>4</sup> These adjustments have been extracted from the consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015.

**Note 3** This adjustment includes a receivable of £7,702,179, being the consideration recognised for disposing of the interest in GL Europe RE2 Holdings S.à r.l. (excluding the Snowden Hall, Wrexham property which GL Europe RE2 Holdings S.à r.l. transferred to the Obligor Group), from the Borrower's direct shareholder and an intercompany balance of £2,774,452 held by GL Europe RE2 Holdings S.à r.l. that became intra-group following the disposal.

£	Adjustment	Explanation of adjustment
Considerations receivable from disposal	7,702,179	The Borrower disposed of its interest in GL Europe RE 2 Holding S.à r.l. for a consideration of £7,702,179 in accordance with the Share Purchase Agreement dated 29 April 2016 (sourced from the Share Purchase Agreement)
Receivables from GL Europe RE2 Holding S.à r.l.	2,774,452	Following the disposal, the Borrower's receivable balance of £2,774,452 from GL Europe RE2 Holding S.à r.l. became intra-group. Sourced from consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015.
<b>Adjustment to debtors</b>	<b>10,476,631</b>	Refer to Note 2 above

In relation to the transactions described above, no adjustment has been made to the Unaudited *Pro Forma* Profit and Loss Account described below for the gain of £8,901,768 resulting from the Borrower's disposal of the interest in GL Europe RE2 Holdings S.à r.l. (Wrexham property), GL Europe RE 2 UK Ltd, and GL Europe Portfolio Advisor Ltd, as they have been considered as non-recurring and therefore are not expected to have a continuing impact on the Borrower.

**Note 4** These adjustments reflect:

£	Adjustment	Explanation of adjustment
Proceeds from the Bridge Facility Agreement	278,528,616	Represents the Bridge Facility Agreement of £280,000,000, excluding unamortised debt issue costs of £1,471,384, as entered into by the Borrower's (now former) direct shareholder (BSREP II PBSA Bidco S.à r.l.) (the Borrower's current direct shareholder is Borrower Holdco), which will be refinanced in full by the issue of the Notes and the issue of the Mezzanine Loan Notes
Elimination of Bridge Facility Agreement balance	(136,245,934)	Represents the elimination following the merger of £136,500,000 Bridge Facility Agreement net of unamortised debt issue costs of £254,066
<b>Adjustment to non-subordinated debts</b>	<b>142,282,682</b>	

- This adjustment excludes transaction costs and the impact on total capital and reserves from the merger with BSREP II PBSA Bidco S.à r.l.

Cash of £34,467,462 represents the excess cash after proceeds from the Bridge Facility Agreement were used by BSREP II PBSA Bidco S.à r.l. (the former shareholder of the Borrower) to purchase the Borrower and repay the £136,500,000 indebtedness referred to at note 11 of the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015..

**Note 5** These adjustments reflect the repayment of the subordinated shareholder loan to the Borrower's previous shareholder of £107,815,220 which comprises £125,624,572 payable (sourced from the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015) net of £17,809,352 receivables (sourced from consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015). The £17,809,352 receivables includes the amounts described in Note 3 above and existing receivables of the Borrower as at 31 December 2015 identified in the consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015.

## Unaudited *Pro Forma* Profit and Loss Account for the year ended 31 December 2015

£	Transactions				<i>Pro Forma</i> Total
	Borrower's consolidated historical (Note 1)	Disposal of interest in certain entities (Note 2)	Merger with direct shareholder and proceeds from the Bridge Facility Agreement (Note 5)	Repayment of Subordinated debts and Bridge Facility Agreement (Note 6)	
<b>CHARGES</b>					
Staff costs	2,964,041	(1,019,000)	-		1,945,041
Value adjustments on tangible fixed assets	9,066,794	(137,595)	-		8,929,199
Other operating charges	10,618,924	286,245 (Note 3)	-		10,905,169
Interest and other financial charges	10,518,100	4,515	6,608,000	(10,303,053)	6,827,562
Income and other taxes	1,482,165	-			1,482,165
<b>Total charges</b>	<b>34,650,024</b>	<b>(865,835)</b>	<b>6,608,000</b>	<b>(10,303,053)</b>	<b>30,089,136</b>
<b>INCOME</b>					
Net turnover	26,643,668	(417,713)	-		26,225,955
Other operating income	1,454,017	(115,135) (Note 4)	-		1,338,882
Other interest and other financial income	46	(46)	-		-
Loss for the financial year	6,552,293	(332,941)	6,608,000	(10,303,053)	2,524,299
<b>Total income</b>	<b>34,650,024</b>	<b>(865,835)</b>	<b>6,608,000</b>	<b>(10,303,053)</b>	<b>30,089,136</b>

## Notes to Unaudited *Pro Forma* Profit and Loss Account for the year ended 31 December 2015

- Note 1** The Borrower's consolidated historical financial information has been derived without material adjustment from the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015, prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated annual accounts, incorporated by reference in this Prospectus.
- Note 2** These adjustments remove the charges and income of GL Europe RE2 Holdings S.à r.l. (excluding the Snowden Hall, Wrexham property), GL Europe RE 2 UK Ltd and GL Europe Portfolio Advisor Ltd. The breakdown of the adjustments are as below:

£	GL Europe RE2 Holdings S.à r.l.	GL Europe RE 2 UK Limited <sup>2</sup>	GL Europe Portfolio Advisor Limited <sup>2</sup>	Pro Forma Total Adjustments
Staff costs	-	(156,774)	(862,226)	(1,019,000)
Value adjustments on tangible fixed assets	(104,141) <sup>1</sup>	(11,550)	(21,904)	(137,595)
Other operating charges	(187,989) <sup>2</sup>	(203,253)	677,487	286,245
Interest and other financial charges	1,170 <sup>1</sup>	3,345	-	4,515
<b>Total charges</b>	<b>(290,960)</b>	<b>(368,232)</b>	<b>(206,643)</b>	<b>(865,835)</b>
Net turnover	-	(417,713)	-	(417,713)
Other operating income	(110,874) <sup>2</sup>	(4,261)	-	(115,135)
Other interest and other financial income	(46) <sup>1</sup>	-	-	(46)
Loss for the financial year	(180,040) <sup>2</sup>	53,742	(206,643)	(332,941)
<b>Total income</b>	<b>(290,960)</b>	<b>(368,232)</b>	<b>(206,643)</b>	<b>(865,835)</b>

<sup>1</sup> Sourced from the audited financial statements for the year ended 31 December 2015 of GL Europe RE2 Holdings S.à r.l..

<sup>2</sup> These adjustments have been extracted from the consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015.

**Note 3** This includes adjustments as shown below:

£	Borrower's consolidated historical	Disposal of interest in certain entities	Pro Forma Total
Legal and professional fees	1,270,765	(365,169)	905,596
Accounting and audit fees	331,419	(15,082)	316,337
Other operating expenses	9,016,740	666,496	9,683,236
<b>Other operating charges</b>	<b>10,618,924</b>	<b>286,245</b>	<b>10,905,169</b>

Sourced from the consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015.

**Note 4** This includes adjustments as shown below:

£	Borrower's consolidated historical <sup>1</sup>	Disposal of interest in certain entities <sup>2</sup>	Pro Forma Total
Income from disposal of property	1,151,995	(115,135)	1,036,860
Other operating income	302,022	-	302,022
<b>Other operating income</b>	<b>1,454,017</b>	<b>(115,135)</b>	<b>1,338,882</b>

<sup>1</sup> Sourced from the Borrower's audited consolidated accounts as at and for the year ended 31 December 2015.

<sup>2</sup>Sourced from the consolidation schedules that support (but do not form part of) the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015.

**Note 5** The *pro forma* adjustment to interest and other financial charges consists of interest of £6,608,000 for the period ended 31 December 2015 relating to the £280,000,000 Bridge Facility Agreement based upon the average applicable interest rate for the first 12-month period, being LIBOR of 0.485 per cent. plus margin of 1.75 per cent. for the first six months and 2.0 per cent. for the subsequent six months, as if the Bridge Facility Agreement was entered into on 1 January 2015. No adjustment has been made to the Unaudited *Pro Forma* Financial Information to recognise related tax impacts and unamortized finance costs.

**Note 6** The *pro forma* adjustment to interest and other financial charges consists of the elimination of the interest expense of £10,303,053 related to the £136,500,000 Bridge Facility Agreement and the £125,624,572 subordinated borrowing from the direct shareholder.

Sourced from the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015 (notes 10 and 11).

#### **Pro forma other operating costs**

Pro Forma "other operating costs" for the purposes of NOI Margin referred to in the sections "Property Portfolio", "Other points in relation to the Properties" and "Alternative Performance Measures" is calculated from the Unaudited *Pro Forma* Financial Information as follows:

<b>£</b>	<b><i>Pro Forma Total</i></b>
Other operating charges	10,905,169
<i>Less</i>	
Legal professional fees <sup>1</sup>	905,596
Professional expenses – accounting/auditing <sup>1</sup>	316,337
Miscellaneous other expenses <sup>1</sup>	1,298,889
Advisory fee expenses <sup>1</sup>	1,373,995
<i>Plus</i>	
Staff costs <sup>1</sup>	1,945,041
Value added tax (VAT) <sup>1</sup>	340
<b>Other operating costs</b>	<b>8,955,733</b>

<sup>1</sup>Sourced from the consolidated schedules that support, but do not form part of, the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015. Each item is either a line item in the pro forma profit and loss account or comprised within another line item in the pro forma profit and loss account.

The reconciliation above reconciles the £10,905,169 of "Other operating charges", as shown in the pro forma profit and loss account above, to the "Other operating costs" of £8,955,733 used by management for the purposes of calculating NOI Margin (see the section "Alternative Performance Measures").

*Pro forma* "other operating costs" are further broken down as follows:

<b>£</b>	<b><i>Pro Forma Total</i></b>
Management fee and facility management services <sup>2</sup>	2,655,122
Utilities <sup>2</sup>	2,492,533
Marketing and advertisements <sup>2</sup>	801,227
Repairs and maintenance <sup>2</sup>	1,061,810
Staff costs <sup>2</sup>	1,945,041
<b>Other operating costs</b>	<b>8,955,733</b>

<sup>2</sup>Sourced from the consolidated schedules that support, but do not form part of, the Borrower's audited consolidated accounts as at, and for the year ended, 31 December 2015. Each item is either a line item in the pro forma profit and loss account or comprised within another line item in the pro forma profit and loss account.



**Independent assurance report from the *Réviseur d'entreprises agréé* on the compilation of *pro forma* financial information included in a prospectus**

To the Board of Managers of

**GL Europe RE Holdings S.à r.l.**

and to the Board of Directors of

**Student Finance plc**

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of GL Europe RE Holdings S.à r.l. (the "Borrower") by the Borrower's board of managers. The *pro forma* financial information of the Borrower consists of the *pro forma* balance sheet as at 31 December 2015 and the *pro forma* profit and loss account for the year ended 31 December 2015, and related notes as set out on pages 363 to 371 of the prospectus issued in relation to the listing and trading of secured notes issued by Student Finance plc on the regulated market of the Irish Stock Exchange (the "Prospectus"). The applicable criteria on the basis of which the Borrower's board of managers has compiled the *pro forma* financial information are specified items 1 to 6 of Annex II of Commission Regulation (EC) N°809/2004 relating to information contained in prospectuses, as amended (the **Prospectus Regulation**), and described in the introductory paragraphs of the *pro forma* financial information (the **Applicable Criteria**).

The *pro forma* financial information has been compiled by the Borrower's board of managers to illustrate the impact of the transaction as defined in the *pro forma* financial information and related notes on the Borrower's balance sheet as at 31 December 2015 and profit and loss account for the year ended 31 December 2015 on a consolidated basis. As part of this process, information about the Borrower's consolidated balance sheet and consolidated profit and loss account has been extracted by the Borrower's board of managers from the Borrower's consolidated annual accounts for the year ended 31 December 2015 on which an audit report has been published and from other sources as specified in the notes.

*Responsibility of the Borrower's board of managers for the *pro forma* financial information*

The board of managers is responsible for compiling the *pro forma* financial information on the basis of the Applicable Criteria.

*Responsibilities of the *Réviseur d'entreprises agréé**

Our responsibility is to express an opinion, as required by item 7 of Annex II of the Prospectus Regulation, about whether the *pro forma* financial information has been compiled, in all material respects, by the board of managers on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the *Institut des Réviseurs d'Entreprises*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Borrower's board of Managers has compiled, in all material respects, the *pro forma* financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial

information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of an entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the board of managers in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion,

- the *pro forma* financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Borrower.

We have complied with the independence and other ethical requirements of the Code of Ethics for *Réviseurs d'entreprises agréés*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Restriction of use of the report*

This report is required by the Prospectus Regulation and is provided solely for the purpose of being included in the Prospectus to comply with the requirements of the Prospectus Regulation and for no other purpose.

PricewaterhouseCoopers accepts responsibility for this report and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this report, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 28 February 2017

Represented by

Kenneth Kai Siong Iek

A handwritten signature in black ink, appearing to read 'Kenneth Kai Siong Iek', with a stylized, cursive script.

## ALTERNATIVE PERFORMANCE MEASURES

The Issuer considers the following metrics contained in this Prospectus to constitute alternative performance measures (**APMs**) as defined in the European Securities and Markets Authority guidelines on APMs (**ESMA Guidelines on APMs**).

Investors should review such APMs in conjunction with the Borrower's Consolidated Accounts incorporated by reference in this Prospectus and note the matters referred to below with respect to the reliability, comprehensibility and comparability of such APMs.

Metric	Definition	Composition/method of calculation	Rationale for inclusion
<b>1. NOI Margin</b> (this APM is derived from the Unaudited <i>Pro Forma</i> Financial Information)			
<b>NOI Margin</b> <sup>8</sup>	A measure of the operating profitability and efficiency	NOI divided by Gross Rental Income	Measure of operating performance
Gross rental income ( <b>Gross Rental Income</b> ) <sup>8</sup>	A financial measure of total income generated by the Property Portfolio	Gross Rental Income is comprised of net turnover plus other operating income less income from disposal of property	Measure of operating performance (used to calculate NOI)
Net operating income ( <b>NOI</b> ) <sup>8</sup>	A financial measure of the net operating income of the portfolio after accounting for costs	Gross Rental Income less Other Operating Costs	Measure of operating performance (used to calculate NOI Margin)
Other operating costs ( <b>Other Operating Costs</b> ) <sup>8</sup>	A financial measure of the costs of operating the Properties	Other Operating Costs are comprised of other operating charges plus VAT and staff costs less legal and professional fees, professional expenses (accounting/auditing), advisory fees and miscellaneous other expenses (see note 3 of the Unaudited <i>Pro Forma</i> Financial Information)	Measure of operating performance (used to calculate NOI)
<b>2. Loan to Value</b>			
<b>Loan to Value</b> <sup>9</sup>	A measure of leverage against the	Closing Date Senior Debt divided by Value	Measure of indebtedness and

<sup>8</sup> Gross Rental Income, Other Operating Costs and NOI are used to calculate NOI Margin (which is an alternative performance measure). These numbers are recorded in the Obligor Group's management accounts (and the components that make up these numbers, for the purpose of calculating NOI Margin, are based on the Unaudited *Pro Forma* Financial Information), and have been included in this Prospectus to present potential Noteholders with a more detailed understanding of the Obligor Group's performance and business. Such management accounts are prepared (to the extent required) in accordance with the general accounting policies adopted by the Obligor Group.

<sup>9</sup> Loan to Value is an alternative performance measure which is calculated using information in the Initial Valuation Report (or subsequent valuations delivered in respect of the Properties from time to time) and Closing Date Senior Debt (as described above). It has been included in this Prospectus to present potential Noteholders with a more

	properties		borrowing capacity
Value <sup>10</sup>	A measure of the market value of the property as assessed on a red book basis by a reputable valuer	Not observable in the financial statements (derived from the Initial Valuation Report)	Measure of value of assets (used to calculate Loan to Value)
Closing date senior debt <sup>11</sup>	Amount of senior debt	Non subordinated debt (being, as at the Closing Date, £215,000,000)	Measure of indebtedness and borrowing capacity (used to calculate Loan to Value)
<b>3. Weighted Average Bed Rent</b>			
<b>Weighted Average Bed Rent<sup>12</sup></b>	A measure of the average weekly rent as advertised to potential students (the <b>Weighted Average Bed Rent</b> )	Not observable in the accounts	
<b>4. Valuation NOI Margin</b>			
<b>Valuation NOI Margin</b>	A measure of the operating profitability and efficiency	Not observable in the financial statements (derived from the Initial Valuation Report). Valuation NOI Margin is comprised of aggregate Net Rents for the Properties divided by aggregate adjusted gross rent for the Properties (which is also derived from the Initial Valuation Report)	Measure of operating performance
<b>Net rents (Net Rents)</b>	A measure of net rental income after operating costs	Not observable in the financial statements (derived from the Initial Valuation Report)	Measure of operating performance (used to calculate Valuation NOI Margin)

detailed understanding of the loan to value restrictions placed on the Obligor Group's performance and business pursuant to the terms of the Issuer/Borrower Loan Agreement.

<sup>10</sup> Value is an alternative performance measure which is derived from the Initial Valuation Report prepared in respect of the Closing Date and, is accordingly, not observable in the Obligor Group's audited financial statements (all of which pre-date the Initial Valuation Report). It has been included in this Prospectus to present potential Noteholders with a more detailed understanding of the value of the Property Portfolio as at the Closing Date.

<sup>11</sup> Closing Date Senior Debt is an alternative performance measure reflecting the principal amount outstanding under the Issuer/Borrower Loan Agreement, and therefore the Notes from time to time following the Closing Date, less cash held in certain accounts. It is therefore not reconcilable to the Obligor Group's existing audited financial statements (all of which were prepared prior to the Closing Date). It has been included in this Prospectus to present potential Noteholders with a more detailed understanding of the loan to value restrictions placed on the Obligor Group's performance and business pursuant to the terms of the Issuer/Borrower Loan Agreement.

<sup>12</sup> Weighted Average Bed Rent is an alternative performance measures which are recorded in the Obligor Group's management accounts, and have been included in this Prospectus to present potential Noteholders with a more detailed understanding of the Obligor Group's performance and business. Such management accounts are prepared (to the extent required) in accordance with the general accounting policies adopted by the Obligor Group.

## **USE OF PROCEEDS**

The total gross proceeds of the issue of the Notes will be £215,000,000.

On the Closing Date, the Issuer will apply the gross proceeds from the issue of the Notes to make an advance to the Borrower of the Initial Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement. The Issuer will cover any expenses incurred in relation to the issue of the Notes by way of the Initial Issuer/Borrower Facility Fee that it will receive from the Borrower under the Issuer/Borrower Loan Agreement.

The Borrower will apply the proceeds of the Initial Issuer/Borrower Loan (together with the proceeds of the Mezzanine Loan Note) towards prepaying, in full, the loan advanced under the Bridge Facility Agreement.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the **Conditions**) in the form (subject to amendment) in which they will be set out in the Note Trust Deed (as defined below). The terms and conditions set out below will apply to the Notes in global form.*

The £215,000,000 secured fixed rate notes due September 2029 (the **Initial Notes**) of Student Finance plc (the **Issuer**) are constituted by a note trust deed dated on or about 7 March 2017 (the **Initial Closing Date**)<sup>13</sup> (the **Note Trust Deed**, which expression includes such note trust deed as from time to time is modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer and U.S. Bank Trustees Limited (the **Note Trustee**, which expression includes its successors or any other trustees under the Note Trust Deed) as trustee for the holders for the time being of the Notes.

The holders of the Initial Notes are referred to in these terms and conditions (the **Conditions**) as the **Initial Noteholders**. The term Noteholders shall, in these Conditions, unless the context otherwise requires, include the Initial Noteholders, the holders of any Further Notes issued pursuant to Condition 18.1 (Further Notes), the holders of any Replacement Notes issued pursuant to Condition 18.2 (Replacement Notes) and the holders of any New Notes issued pursuant to Condition 18.3 (New Notes).

The expression **Notes** shall, unless the context otherwise requires, include the Initial Notes, any Further Notes issued pursuant to Condition 18.1 (Further Notes), any Replacement Notes issued pursuant to Condition 18.2 (Replacement Notes) and any New Notes issued pursuant to Condition 18.3 (New Notes).<sup>14</sup>

The proceeds of the Initial Notes will be on-lent by the Issuer to the Borrower on the Initial Closing Date and the proceeds of any Notes that are issued after the Initial Closing Date will be on-lent by the Issuer to the Borrower on such later Closing Date, respectively, pursuant to a facility agreement dated on or around the Initial Closing Date (as supplemented, modified, amended, restated, novated and/or replaced from time to time, the **Issuer/Borrower Loan Agreement** and the facilities provided by the Issuer to the Borrower thereunder on the Initial Closing Date, the **Initial Issuer/Borrower Facility** and the loans made thereunder on the Initial Closing Date, the **Initial Issuer/Borrower Loan**).

Any further Issuer/Borrower Loans corresponding to any Further Notes (as defined in these Conditions or in the terms and conditions of any Replacement Notes or New Notes (as defined below) issued after the Initial Closing Date) will be deemed, read and construed as a single loan with the Issuer/Borrower Loan corresponding to the Notes with which such Further Notes will form a single Class, from the relevant Closing Date for such Further Notes.

The security for the Notes is constituted by a deed of charge dated on or about the Initial Closing Date (the **Issuer Deed of Charge**, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time modified) and made between, among others, the Issuer and U.S. Bank Trustees Limited (the

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<sup>13</sup> Please note that the Initial Closing Date is referred to as the Closing Date throughout this Prospectus (other than in this section entitled "Terms and Conditions").

<sup>14</sup> Please note that the term "Notes" refers to just the Initial Notes throughout this Prospectus (other than in this section entitled "Terms and Conditions").

**Issuer Security Trustee**, which expression includes its successors or any other trustees under the Issuer Deed of Charge).

By an agency agreement dated on or about the Initial Closing Date (the **Agency Agreement**, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between, among others, the Issuer, the Note Trustee and Elavon Financial Services DAC, UK Branch, in its separate capacities under the same agreement as principal paying agent (the **Principal Paying Agent**, which expression includes its successors or any other principal paying agent appointed in respect of the Notes) (the Principal Paying Agent being together with any other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**) and Elavon Financial Services DAC as registrar (the **Registrar**, which expression includes its successors or any other registrar appointed in respect of the Notes and, together with the Paying Agents, the **Agents**), provision is made for, among other things, the payment of principal and interest in respect of the Notes.

The Noteholders and all persons claiming through them or under the Notes are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Note Trust Deed, the Issuer Security Documents, the Agency Agreement, the Issuer Liquidity Facility Agreement, the Servicing Agreement and the other Issuer Transaction Documents applicable to them.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Issuer Security Documents, the Agency Agreement, the Issuer Liquidity Facility Agreement, the Issuer/Borrower Loan Agreement, the master definitions schedule entered into by, among others, the Issuer, the Note Trustee, the Issuer Security Trustee and the Agents dated on or about the Initial Closing Date (the **Master Definitions Schedule**) and the other Issuer Transaction Documents.

Copies of the Note Trust Deed, the Issuer Security Documents, the Agency Agreement, the Issuer Liquidity Facility Agreement, the Servicing Agreement, the Issuer Cash Management Agreement, the Issuer Account Bank Agreement, the Corporate Services Agreement and the Master Definitions Schedule are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Schedule.

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and denomination**

- (a) Each Class of Notes will initially be represented by a global note certificate in registered form (a **Global Note**).
- (b) For so long as any of the Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking S.A. (**Clearstream, Luxembourg**), as appropriate. Each



Global Note will be deposited with and registered in the name of a nominee of a common safekeeper for Euroclear and Clearstream, Luxembourg.

- (c) For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000.

## **1.2 Title**

- (a) Title to the Notes passes only by and upon registration in the register of Noteholders (the **Register**) which the Issuer shall procure be kept by the Registrar. The registered holder of any Note 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 or any writing on, or the theft or loss of, the Global Note issued in respect of it) and no person will be liable for so treating the holder.
- (b) Ownership of interests in respect of the Global Notes will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg, or persons who hold interests through such participants. Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg, and their participants. Beneficial interests in a Global Note may not be held by a U.S. person (as defined in Regulation S under the Securities Act) at any time.

## **1.3 Global Notes**

- (a) Upon deposit of the Global Notes, Euroclear or Clearstream, Luxembourg, as applicable, will credit the account of each Accountholder (as defined below) with the principal amount of Notes for which it has subscribed and paid.
- (b) References in these Conditions to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so admits, be deemed to include reference to any additional or alternative clearing system approved by the Issuer.
- (c) 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.

## **2. DEFINITIVE NOTES**

### **2.1 Issue of Definitive Notes**

- (a) A Global Note will be exchangeable for definitive Notes of the relevant Class in registered form (**Definitive Notes**) in an aggregate principal amount equal to the

Principal Amount Outstanding (as defined in Condition 7.5 (Principal Amount Outstanding)) of the relevant Global Note only if any of the following circumstances apply:

- (i) either Euroclear or Clearstream, Luxembourg:
  - (A) is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
  - (B) announces an intention permanently to cease business or does in fact do so,

and in either case no alternative clearing system acceptable to the Note Trustee is in existence; or

- (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political sub-division thereof) or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which has become effective on or after the Initial Closing Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.
- (b) If Definitive Notes are issued in respect of Notes originally represented by a Global Note, the beneficial interests represented by such Global Note shall be exchanged by the Issuer for the relevant Notes in registered definitive form. The aggregate principal amount of the Definitive Notes of the relevant Class shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the Global Note for such Class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Note Trust Deed and the relevant Global Note.
  - (c) Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.
  - (d) Each Definitive Note will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof.
  - (e) Definitive Notes, if issued, will be available at the offices of any Paying Agent. If the Issuer fails to meet its obligations to issue Notes in definitive form in exchange for a Global Note, then that Global Note shall remain in full force and effect.
  - (f) For the purposes of these Conditions, references herein to Notes shall include the Global Notes and the Definitive Notes. These Conditions and the Issuer Transaction Documents will be amended in such manner as the Note Trustee and Issuer Security Trustee require to take account of the issue of Definitive Notes.

## **2.2 Title to and transfer of Definitive Notes**

- (a) Title to a Definitive Note will pass upon registration in the Register. A Definitive Note may be transferred in whole or in part provided that any partial transfer relates to an original principal amount of at least £100,000 upon surrender of such Definitive Note, at the specified office of the Registrar.

- (b) In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred (subject to such balance not being less than £100,000) will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set out in such Definitive Notes and the transfer regulations.
- (c) A transferee or purchaser of any Definitive Notes:
  - (i) shall, except as prohibited by applicable law, obtain and provide the Issuer and the Note Trustee (including their agents and representatives) with information or documentation, and to update or correct such information or documentation, as may be necessary or helpful (in the sole determination of the Issuer or the Note Trustee or their agents or representatives, as applicable) to comply with FATCA (as defined below) or to comply with similar requirements in other jurisdictions; and
  - (ii) agrees that the Issuer and/or the Note Trustee or their agents or representatives may:
    - (A) provide such information and documentation and any other information concerning its investment in the Notes to HMRC, the U.S. Internal Revenue Service and any other relevant tax authority; and
    - (B) take any other steps as they deem necessary or helpful to achieve compliance with FATCA.

### **3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND THE ISSUER SECURITY AND AMENDMENTS TO THE ISSUER TRANSACTION DOCUMENTS TO REFLECT FURTHER NOTES, REPLACEMENT NOTES OR NEW NOTES**

#### **3.1 Status and relationship between the Notes**

- (a) The Notes constitute unconditional (subject as provided in Condition 11 (Action and Proceedings) and Condition 12 (Limit on Noteholder action, limited recourse and non-petition)), direct, secured and limited recourse obligations of the Issuer.
- (b) The Initial Notes rank *pari passu* without preference or priority among themselves and with any other Notes (as at the date hereof being the Initial Notes only and from time to time including any Further Notes issued pursuant to Condition 18.1 (Further Notes), any Replacement Notes issued pursuant to Condition 18.2 (Replacement Notes) or, as the case may be, any New Notes issued pursuant to Condition 18.3 (New Notes)).
- (c) The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as a single Class as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise).
- (d) The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other parties to the Issuer Transaction Documents and/or the Obligor Transaction Documents.
- (e) Prior to the enforcement of the Issuer Security and/or service of a Note Acceleration Notice (as defined in Condition 10 (Note Events of Default)), the Issuer is required to

apply funds in accordance with the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities. After the enforcement of the Issuer Security but prior to the service of a Note Acceleration Notice, (if requested, on behalf of the Issuer Security Trustee) the Issuer is required to apply relevant funds in accordance with the Issuer Post-Enforcement Pre-Acceleration Payment Priorities. Following the service of a Note Acceleration Notice, (if requested, on behalf of the Issuer Security Trustee) all monies and receipts received by the Issuer and/or the Issuer Security Trustee or a receiver are required to be applied in accordance with the Issuer Post-Enforcement Post-Acceleration Payment Priorities.

(f) In the event of an issue of Further Notes (as defined in Condition 18.1 (Further Notes)), Replacement Notes (as defined in Condition 18.2 (Replacement Notes)) or New Notes (as defined in Condition 18.3 (New Notes)), the provisions of the Conditions, the Note Trust Deed, the Issuer Deed of Charge and the other Issuer Transaction Documents, including (in the case of Replacement Notes or New Notes) those concerning:

- (i) the basis on which the Note Trustee will be required to exercise or perform its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee, there is a conflict between the interests of any of the Noteholders and the holders of such Replacement Notes or New Notes);
- (ii) the circumstances in which the Note Trustee will become bound to take action, as referred to in Condition 10 (Note Events of Default) and Condition 11 (Action and Proceedings);
- (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
- (iv) the order of priority of payments (including the order which applies prior to the acceleration of the Notes (both prior to, and upon, enforcement of the security constituted by the Issuer Deed of Charge) and the order which applies upon acceleration of the Notes),

will be modified in such manner as the Note Trustee or, as the case may be, the Issuer Security Trustee (if directed by the Note Trustee) (in each case, without the consent of the Noteholders) considers necessary to facilitate the issue of such Further Notes, Replacement Notes or, as the case may be, New Notes and any new Issuer Transaction Documents entered into in connection with such Further Notes, Replacement Notes or, as the case may be, New Notes and the ranking thereof and of the claims of any party to any of such new Issuer Transaction Documents in relation to the Notes and such Further Notes, Replacement Notes or, as the case may be, New Notes.

- (g) If any such Further Notes, New Notes or, as the case may be, Replacement Notes are issued, the Issuer will immediately advise the Central Bank of Ireland and the Irish Stock Exchange accordingly, procure the publication of a notice of the issue in accordance with Condition 17 (Notice to Noteholders) and file a new listing document in respect of the issue of such Further Notes, New Notes or, as the case may be, Replacement Notes with the Central Bank of Ireland and the Irish Stock Exchange
- (h) Nothing in the Note Trust Deed or the Notes shall be construed as giving rise to any relationship of agency or partnership between the Noteholders and any other person

and each Noteholder shall be acting entirely for its own account in exercising its rights under the Note Trust Deed or the Notes.

### **3.2 Security**

- (a) The security constituted by and pursuant to the Issuer Deed of Charge will be granted on the Initial Closing Date to the Issuer Security Trustee, on trust for itself, the Noteholders and the other Issuer Secured Creditors, upon and subject to the terms and conditions of the Issuer Deed of Charge.
- (b) The Issuer has granted, *inter alia*, the following security by way of an assignment (or to the extent not assignable, charges by way of a fixed charge), or by way of a first fixed charge:
  - (i) all of its rights in respect of the Issuer Charged Documents;
  - (ii) all of its right, title, interest and benefit in and to the Issuer's beneficial interest in the trust of the Obligor Security contained in the Obligor Deed of Charge and the Intercreditor Agreement, respectively (including all such right, title, interest and benefit under the Obligor Security Documents the subject of such trusts);
  - (iii) all its right, interest and benefit in and to any Reports;
  - (iv) all of its rights in respect of
    - (A) any amount standing from time to time to the credit of the Issuer Accounts;
    - (B) all interest paid or payable in relation to those amounts; and
    - (C) all debts represented by those amounts;
  - (v) all of its rights in respect of all shares, stocks, debentures, bonds or other securities and investments owned by it or held by a nominee on its behalf; and
  - (vi) the benefit of all authorisations (statutory or otherwise) held in connection with its use of any Issuer Charged Asset and any compensation which may be payable to it in respect of those authorisations.
- (c) The Issuer has also granted security, by way of a first floating charge, over all of its assets (including, without limitation, its uncalled capital) other than any assets at any time otherwise effectively charged or assigned by way of fixed charge or assignment.
- (d) The Noteholders and the other Issuer Secured Creditors will share in the benefit of the security constituted by and pursuant to the Issuer Deed of Charge, upon and subject to the terms and conditions of the Issuer Deed of Charge.
- (e) The security constituted by and pursuant to the Obligor Deed of Charge and the other Obligor Security Documents will be granted on the Initial Closing Date to the Obligor Security Trustee, on trust for itself, the Issuer and the other Obligor Secured Creditors, upon and subject to the terms and conditions of the Obligor Security Documents.

- (f) The Issuer (and indirectly the Noteholders, the other Issuer Secured Creditors and the other Obligor Secured Creditors) will share in the benefit of the security constituted by and pursuant to the Obligor Deed of Charge and the other Obligor Security Documents, upon and subject to the terms and conditions of the Obligor Deed of Charge and the other Obligor Security Documents.

## 4. COVENANTS

### 4.1 Restrictions

- (a) The Issuer has given certain covenants to the Note Trustee and the Issuer Security Trustee in the Note Trust Deed and the Issuer Deed of Charge, respectively. In particular, save with the prior written consent of the Note Trustee or the Issuer Security Trustee, as applicable, or unless otherwise permitted under these Conditions or the Issuer Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:
  - (i) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law or permitted under any of the Issuer Transaction Documents) or other security interest whatsoever over any of its assets or undertakings;
  - (ii) **Restrictions on activities:** (A) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Issuer Transaction Documents provide or envisage that the Issuer will engage; and (B) have any subsidiaries (as defined in the Companies Act), any subsidiary undertakings (as defined in the Companies Act) or any employees or premises;
  - (iii) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire, any of its assets or undertakings or any interest, estate, right, title or benefit therein;
  - (iv) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders (other than the Issuer Profit Amount) or issue any further shares;
  - (v) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
  - (vi) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
  - (vii) **No modification or waiver:** permit any of the Issuer Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied, reduced, amended, terminated, postponed or discharged, or consent to any variation or exercise any powers of consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Issuer Transaction Documents to which it is a party or permit any party to any of the Issuer Transaction Documents to which it is a party or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations or dispose of all or any part of the Issuer Security or exercise any right to terminate any of the Issuer Transaction Documents to

which it is a party (in each case, for the avoidance of doubt, without prejudice to the rights of the Servicer and Special Servicer to effect modifications or waivers of the Finance Documents in accordance with the terms of the Servicing Agreement and the express provisions of the Issuer Transaction Documents);

- (viii) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Issuer Security Trustee on terms acceptable to it;
  - (ix) **U.S. activities:** engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under United States federal income tax principles, and hold, or permit any of its affiliates to hold, any property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;
  - (x) **Centre of main interest:** conduct its business and affairs such that, at any time, its "centre of main interests" for the purposes of the EU Insolvency Regulation (the Regulation (EC) No. 1346/2000 (the **Recast Insolvency Regulation**) and the UNCITRAL Implementing Regulations) moves outside of England, or have any "establishment" (as defined in the EU Insolvency Regulation, the Recast Insolvency Regulation and the UNCITRAL Implementing Regulations) other than England;
  - (xi) **Payments:** fail to pay its own liabilities out of its own funds (other than as permitted under the Issuer Transaction Documents);
  - (xii) **VAT:** be a member of any group for VAT purposes, or voluntarily become registered (or part of any registration) for VAT in the United Kingdom or elsewhere; and
  - (xiii) **Independent directors:** neglect to maintain the appointment of at least one non-executive director, such non-executive director(s) to be independent of the Borrower and each of the other Obligor(s). The non executive director(s) of the Issuer shall be provided by a corporate services provider. It must ensure that at all times all of its directors act independently of any of its creditors or their respective affiliates, other than the Corporate Services Provider; and
- (b) In giving any consent to the foregoing, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Issuer Transaction Documents or may impose such other conditions or requirements as the Note Trustee may deem expedient (at its absolute discretion) in the interests of the Noteholders but subject to the terms of the Issuer Transaction Documents.

## 4.2 Separate identity

Save with the prior written consent of the Issuer Security Trustee or the Note Trustee or unless otherwise permitted under any of the Issuer Transaction Documents, the Issuer shall, so long as any Note remains outstanding:

- (a) maintain its records, books of account and bank accounts separate and apart from any other person or entity and maintain such books and records in the ordinary course of its business;
- (b) hold itself out to the public as a legal entity separate and distinct from any other person, conduct its business solely in its own name, maintain an arm's length relationship with its affiliates (if any) and correct any known misunderstandings regarding its separate identity from any of its members, general partners, principals or affiliates thereof or any other person;
- (c) not mislead any party as to the identity with which such other party is transacting business;
- (d) pay its own liabilities out of its own funds;
- (e) not commingle its assets with those of any other person or entity;
- (f) not become responsible for, guarantee, or become obliged to pay the debts of any other third party or hold out credit as available to satisfy the obligations of others; and
- (g) observe all corporate facilities with respect to its affairs required by its memorandum and articles of association (including maintaining adequate capital for its operations).

#### **4.3 Issuer Transaction Documents**

The Issuer will provide the Paying Agents with copies of the Note Trust Deed, the Issuer Security Documents, the Agency Agreement, the Issuer Liquidity Facility Agreement, the Servicing Agreement, the Issuer Cash Management Agreement, the Issuer Account Bank Agreement, the Corporate Services Agreement and the Master Definitions Schedule, which will be available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents.

#### **4.4 Cash Manager and Servicer**

So long as any Note remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Issuer Accounts and a servicer in respect of the Issuer Charged Assets. The Issuer Cash Manager and the Servicer will not be permitted to terminate its appointment unless a replacement cash manager or servicer, as the case may be, has been appointed in accordance with the terms of the Issuer Cash Management Agreement and the Servicing Agreement, respectively.

#### **4.5 Dealings with the Rating Agencies**

The Issuer shall not engage in any communication (whether written, oral, electronic or otherwise) with any of the Rating Agencies unless it:

- (a) has given at least two Business Days' notice of the same to the Obligors, Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Servicer and the Special Servicer;



- (b) permits such parties (or any of them) to participate in such communications; and
- (c) summarises any information provided to the Rating Agencies in such communication in writing to the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Servicer and the Special Servicer.

## 5. INTEREST

### 5.1 Cessation of interest accrual

Each Initial Note (or, in the case of the redemption of part only of an Initial Note, that part only of such Initial Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (Payments), payment of the principal in respect of the Initial Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Note Trust Deed.

### 5.2 Interest Rate and Note Interest Payment Dates

- (a) The Initial Notes bear interest on their respective Principal Amount Outstanding from (and including) the Initial Closing Date (the **Interest Accrual Date**) at the rate of 2.6663 per cent. per annum (the **Interest Rate**), payable semi-annually in arrear on 15 June and 15 December in each year (or, if such day is not a Business Day, the next following Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not) in each year (each a **Note Interest Payment Date**) in respect of the Note Interest Period (as defined below) ended immediately prior thereto and on the Note Expected Maturity Date (if the Notes are redeemed in full on such date) and the Note Final Maturity Date (if the Notes are not redeemed in full on the Note Expected Maturity Date).
- (b) The first payment in respect of the Initial Notes shall be due on the Note Interest Payment Date falling in June 2017.
- (c) The period:
  - (i) from (and including) the Initial Closing Date to (but excluding) the first Note Interest Payment Date;
  - (ii) each successive period from (and including) a Note Interest Payment Date to (but excluding) the next succeeding Note Interest Payment Date; and
  - (iii) (if the Notes are redeemed in full on the Note Expected Maturity Date) from (and including) 15 June 2024 to (but excluding) the Note Expected Maturity Date, or (if the Notes are not redeemed in full on the Note Expected Maturity Date) from (and including) 15 June 2029 to (but excluding) the Note Final Maturity Date,

in each case, ignoring any adjustment for a Note Interest Payment Date falling on a day that is not a Business Day, is called a **Note Interest Period**.

### 5.3 Calculation of interest

- (a) Interest in respect of the Initial Notes shall be calculated by applying the relevant rate of interest to the aggregate Principal Amount Outstanding of the Initial Notes and on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due, divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Note Interest Payment Date multiplied by 2.
- (b) The resulting figure shall be rounded downwards to the nearest penny.
- (c) The Issuer Cash Manager (on behalf of the Issuer) shall determine the amount of interest payable in respect of the Notes on the relevant Note Interest Payment Date on the Determination Date and cause such information to be included in the Issuer Cash Manager Half Yearly Report.

## 6. PAYMENTS

### 6.1 Global Notes

- (a) Payment of principal, interest and other amounts will be made by transfer to the registered account of the Noteholder. Subject to Condition 2 (Definitive Notes), interest, principal or other amounts on Notes due on a Note Interest Payment Date will be paid to the holder (or the first named if joint holders) shown on the Register at the close of business on the date (the **Record Date**) being, in the case of Global Notes, the Business Day before the due date for such payment, and, in the case of Definitive Notes, the 15th Business Day before the due date for such payment.
- (b) For the purposes of this Condition, a Noteholder's registered account means the sterling account maintained by or on behalf of it with a bank that processes payments in sterling, details of which appear on the register of Noteholders at the close of business, in the case of principal, interest and other amounts due other than on a Note Interest Payment Date, on the second Business Day (as defined below) before the due date for payment and, in the case of principal, interest and other amounts due on a Note Interest Payment Date, on the relevant Record Date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

### 6.2 Definitive Notes

Payments of principal, interest and other amounts (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal, interest or other amount, as the case may be, will be made against surrender of such Note) in respect of Definitive Notes will be made on the relevant Note Interest Payment Date to the holder of a Definitive Note as at the Record Date for payment in respect of such Definitive Note or by transfer to a sterling-denominated account nominated in writing by the payee to the Registrar not later than the due date for such payment. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof. If any payment due in respect of any Definitive Note

is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, so paid.

### **6.3 Payments subject to applicable Laws**

Payments of any amount in respect of a Note, including principal and interest in respect of the Notes, are subject, in all cases, to (a) any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 8 (Taxation), and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (**U.S. Tax Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Tax Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto (**FATCA**).

### **6.4 Payment on Business Days**

- (a) Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day (as defined below), for value on the first following day which is a Business Day) will be initiated on each Note Interest Payment Date or, in the case of a payment of principal, interest or other amount due otherwise than on a Note Interest Payment Date, if later, on the Business Day on which the relevant Global Note is surrendered at the specified office of an Agent.
- (b) Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due, if the due date is not a Business Day, if the Noteholder is late in surrendering its Global Note (if required to do so).

### **6.5 Presentation on non-Business Days**

If the date for payment of any amount in respect of a Note is not a Business Day, payment shall be made on the next succeeding day that is a Business Day (unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note. For the purposes of Condition 7 (Redemption) and this Condition 6, **Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Luxembourg and the Cayman Islands.

### **6.6 Accrual of Interest on late payments**

If any payment of interest, principal or any other amount in respect of any Class of Notes is not made when due and payable (other than because the due date is not a Business Day or by reason of non-compliance with Condition 6.1 (Global Notes) or Condition 2 (Definitive Notes)), then such unpaid amount shall itself bear interest at the Interest Rate for that Class of Notes from the due date of such payment up to (but excluding) the date on which payment in full of the relevant unpaid amount (together with interest accrued thereon) is made and notice thereof has been duly given to the Noteholders in accordance with Condition 17 (Notice to Noteholders), provided that such unpaid amount and interest thereon are, in fact, paid.

## **6.7 Incorrect payments**

- (a) The Issuer Cash Manager will (on behalf of the Issuer), from time to time, notify Noteholders in accordance with the terms of Condition 17 (Notice to Noteholders) of any over-payment or under-payment of which it has actual notice made on any Note Interest Payment Date to any party entitled to the same pursuant to the Issuer Pre-Enforcement Pre-Acceleration Payment Priorities, the Issuer Post-Enforcement Pre-Acceleration Payment Priorities or, as applicable, the Issuer Post-Enforcement Post-Acceleration Payment Priorities.
- (b) Following the giving of such a notice, the Issuer Cash Manager shall rectify such over-payment or under-payment by increasing or, as the case may be, decreasing payments to the relevant parties on any subsequent Note Interest Payment Date. Any notice of over-payment or under-payment pursuant to this Condition shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Issuer nor the Issuer Cash Manager shall have any liability to any person for making any such correction.

## **6.8 Initial Principal Paying Agents and Registrar**

- (a) The initial Principal Paying Agent is Elavon Financial Services DAC acting through its UK Branch at its offices at 125 Old Broad Street, London EC2N 1AR, United Kingdom. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of any Paying Agent, the Registrar and to appoint additional or other agents provided that:
  - (i) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent; and
  - (ii) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority.
- (b) The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 17 (Notice to Noteholders).

## **7. REDEMPTION**

### **7.1 Final redemption of the Initial Notes**

- (a) Unless previously redeemed in full and cancelled as provided in this Condition 7, the Issuer will redeem the Initial Notes at their respective Principal Amount Outstanding together with the accrued interest and any other accrued but unpaid amounts on the Note Final Maturity Date, being the Note Interest Payment Date falling on 30 September 2029.
- (b) The Issuer may not redeem the Initial Notes in whole or in part prior to the Note Final Maturity Date except as provided in this Condition 7 but without prejudice to Condition 10 (Note Events of Default) and Condition 11 (Action and Proceedings).

## 7.2 Mandatory redemption upon and following the Note Expected Maturity Date

Unless previously redeemed in full or purchased and cancelled as provided in this Condition 7, the Issuer will:

- (a) on the Note Interest Payment Date falling on 30 September 2024 (the **Note Expected Maturity Date**), to the extent that the Issuer has received repayment of the Initial Issuer/Borrower Loan on or prior to 30 September 2024 (the **Loan Final Maturity Date**) (in accordance with the Issuer/Borrower Loan Agreement) of a principal amount that equals the Principal Amount Outstanding of the Initial Notes together with the accrued interest and any other accrued but unpaid amounts, redeem such Initial Notes in full on such date at their Principal Amount Outstanding together with accrued but unpaid interest thereon to such date (without any premium); or
- (b) on the Note Expected Maturity Date and on each Note Interest Payment Date thereafter on which the Initial Notes remain outstanding until the earlier of (a) such time as the Initial Notes are redeemed in full or (b) the Note Final Maturity Date, to the extent that the Issuer has received repayment in part or whole of the Principal Amount Outstanding of the Initial Issuer/Borrower Loan on or prior to a Loan Interest Payment Date corresponding to such date (in accordance with the Issuer/Borrower Loan Agreement), redeem the Initial Notes on such date in a principal amount corresponding to the amount of such repayment received together with accrued but unpaid interest thereon to such date (without any premium).

## 7.3 Optional redemption for taxation or other reasons

- (a) If:
  - (i) by reason of a change in tax law (or the application or official interpretation thereof) in any jurisdiction, which change becomes effective on or after the Initial Closing Date, on the next Note Interest Payment Date, the Issuer, or the Paying Agents on its behalf, would be required to deduct or withhold from any payment of principal, interest or other amount in respect of the Notes (other than because the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding 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 relevant jurisdiction (or any political sub-division thereof or any authority thereof or therein); or
  - (ii) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Initial Closing Date, it has become or will become unlawful for the Issuer to perform any of its obligations under the Issuer/Borrower Loan Agreement or these Conditions and the Notes or to make, fund or allow to remain outstanding all or any of the Issuer/Borrower Loans made by it under the Issuer/Borrower Loan Agreement,

then the Issuer shall, if the same would avoid the effect of the relevant event described in sub-paragraph (i) or (ii) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing

by the Note Trustee as principal debtor under the Notes and as lender of the Issuer/Borrower Loans under the Issuer/Borrower Loan Agreement.

- (b) Subject to sub-paragraph (d) below, if the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that:
  - (i) an event described in Condition 7.3(a)(i) or 7.3(a)(ii) above is continuing;
  - (ii) (A) the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or (B) having used its reasonable endeavours, the Issuer is unable to arrange such a substitution; and
  - (iii) the Issuer confirms it will notify the Borrower that it is obliged to prepay the Issuer/Borrower Loans,

then the Issuer may, on any Note Interest Payment Date thereafter and having given not less than five Business Days' notice (or, in the case of an event described in sub-paragraph (a)(ii) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Noteholders in accordance with Condition 17 (Notice to Noteholders) and to the Note Trustee (copied to the Rating Agencies, if applicable), redeem all, but not some only, of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest on the Principal Amount Outstanding up to (but excluding) such date (without any premium).

- (c) Prior to the publication of any notice of redemption pursuant to this Condition 7.3 the Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Issuer stating that one or more of the events described in Condition 7.3(a)(i) or (ii) above is continuing and:
  - (i) the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event; or
  - (ii) having used its reasonable endeavours, the Issuer is unable to arrange such a substitution; and
  - (iii) the Issuer has or will have (upon repayment of the Issuer/Borrower Loans) the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Note Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Note Interest Payment Date.
- (d) Any certificate given by or on behalf of the Issuer under this Condition 7.3 may be relied on by the Note Trustee without further investigation and without liability to any other person and shall be conclusive and binding on the Noteholders, the Note Trustee and on the other Issuer Secured Creditors.

#### **7.4 Redemption upon repayment or prepayment of the Issuer/Borrower Loans**

- (a) Unless previously redeemed in full or purchased and cancelled as provided in this Condition 7, if the Borrower or another Obligor (as applicable) gives notice to the Issuer that it will prepay the whole or part of the Initial Issuer/Borrower Loan (in each case in accordance with the Issuer/Borrower Loan Agreement), then the Issuer shall, upon receipt of notice of such prepayment from the relevant Obligor, give not less than two Business Days' notice thereof to the Noteholders in accordance with

Condition 17 (Notice to Noteholders) and to the Note Trustee, and upon receipt of such prepayment from the relevant Obligor, redeem the Initial Notes on the next Note Interest Payment Date occurring on or following the expiry of such notice period in a principal amount corresponding to the amount of such prepayment received multiplied by the Redemption Percentage (as defined below), together with accrued but unpaid interest thereon to such date.

**Redemption Percentage** means:

- (a) in connection with any redemption of the Notes prior to their Note Expected Maturity Date or the enforcement of the Obligor Security, as a result of (i) a voluntary prepayment of the Initial Issuer/Borrower Loan pursuant to Clauses 7.1(a) (*Voluntary prepayments of the Issuer/Borrower Loans*) of the Issuer/Borrower Loan Agreement (including by way of voluntary prepayment from the Cure Account, the Lock-Up Account or the Defeasance Account (but only if such prepayment from the Defeasance Account is made using funds that would otherwise fall within this paragraph (a) if they had been applied in prepayment of the Issuer/Borrower Loan, such as the proceeds from the disposal of a Property or an Obligor), (ii) a prepayment of the Initial Issuer/Borrower Loan that is made using proceeds from the disposal of a Property or an Obligor or from a Disposal Account pursuant to Clause 7.2(c) (*Other mandatory prepayments*) of the Issuer/Borrower Loan Agreement or (iii) a prepayment of the Initial Issuer/Borrower Loan pursuant to Clause 7.2(c) (*Other mandatory prepayments*) of the Issuer/Borrower Loan Agreement made from amounts paid to cure a Mezzanine Financial Covenant Ratio Breach (whether from the Cure Account or otherwise), the greater of:
  - (i) 100 per cent.; and
  - (ii) that price (as reported in writing to the Issuer and the Note Trustee by a financial advisor selected by the Expert expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Notes on the Relevant Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date plus 0.50 per cent. and so that, for the purpose of this sub-paragraph (ii): **Reference Market Makers** means three brokers and/or London gilt-edged market makers approved in writing by the Expert; **Relevant Date** means the date which is the third business day in London prior to the date of redemption pursuant to this Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loan); **Gross Redemption Yield** means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16/03/2005); and **Relevant Treasury Stock** means such United Kingdom government stock as the Expert shall determine to be a

benchmark gilt, the maturity of which most closely matches the maturity of the Notes as calculated by a financial advisor selected by the Expert, where **Expert** means a leading broker and/or gilt-edged market maker or other expert operating in the gilt market selected and appointed by the Issuer and notified in writing to the Note Trustee; and

- (b) in connection with any redemption of the Notes on or following their Note Expected Maturity Date or the enforcement of the Obligor Security or as a result of a prepayment of the Initial Issuer/Borrower Loan for any reason other than as referred to in (a) above, 100 per cent.
- (b) The Notes to be redeemed in accordance with Condition 7.4(a) above will be selected in accordance with the rules and procedures of the relevant Clearing Systems (to be reflected in the records of the Clearing Systems as a pool factor).
- (c) If the Issuer receives any monies from any Obligor, from the Obligor Security Trustee (on its own behalf or on behalf of an Obligor) or from any receiver appointed by the Obligor Security Trustee, following the delivery of an Obligor Enforcement Notice or an Obligor Acceleration Notice (following such being given in accordance with the Issuer/Borrower Loan Agreement), the Issuer shall, upon receipt of notice of such repayment from or on behalf of the Obligor Security Trustee, give not less than two Business Days' notice thereof to the Note Trustee and the Noteholders in accordance with Condition 17 (Notice to Noteholders) and upon receipt of such prepayment from the relevant Obligor, redeem the Initial Notes on the next Note Interest Payment Date occurring on or following the expiry of such notice period or on any other date selected by the Issuer Security Trustee (or, if earlier, the Note Final Maturity Date) in an amount corresponding to the principal amount of such prepayment received, together with accrued but unpaid interest thereon to such date.

## **7.5 Principal Amount Outstanding**

- (a) The **Principal Amount Outstanding** of an Initial Note on any date shall be its original principal amount less the aggregate amount of all principal payments (excluding any premium payable in accordance with Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loan)) made in respect of such Initial Note which have previously been paid in respect of such Initial Note since the Initial Closing Date except if and to the extent that any such payment has been improperly withheld or refused.
- (b) On each Determination Date, the Issuer Cash Manager (on behalf of the Issuer) will determine the Principal Amount Outstanding of the Initial Notes on the next following Note Interest Payment Date (after deducting any principal payment to be paid on the Initial Notes on that Note Interest Payment Date).
- (c) The Issuer Cash Manager (on behalf of the Issuer) will cause each determination of a Principal Amount Outstanding to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Rating Agencies and will cause such determination to be included in the Issuer Cash Manager Half Yearly Report.
- (d) If the Issuer Cash Manager does not at any time for any reason calculate any Principal Amount Outstanding in accordance with this Condition 7.5 (Principal Amount Outstanding), the Note Trustee may make such calculation (without any liability accruing to the Note Trustee as a result) in accordance with this Condition 7.5 (Principal Amount Outstanding) (based on information supplied to it by the Issuer or



the Issuer Cash Manager on its behalf) and each such calculation shall be deemed to have been made by the Issuer. In each case, the Note Trustee may, at the expense of the Issuer, employ an expert to make such calculations and any such calculations shall be deemed to have been made by the Issuer.

- (e) If funds are received by the Issuer from the prepayment of all or part of any Issuer/Borrower Loan made under the Issuer/Borrower Loan Agreement in the three Business Days prior to a Note Interest Payment Date (an **Original Note Interest Payment Date**) (other than on a Distribution Date), the Issuer Cash Manager will only apply such funds towards the redemption of Notes on the Note Interest Payment Date immediately succeeding the Original Note Interest Payment Date.

## **7.6 Notice of redemption**

Any such notice as is referred to in Condition 7.3 (Optional redemption for taxation or other reasons) or Condition 7.4 (Redemption upon repayment or prepayment of the Issuer/Borrower Loan) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above.

## **7.7 Purchases**

To the extent it is permitted to do so pursuant to the provisions of the Issuer/Borrower Loan Agreement, an Obligor may purchase any Note. Any Note which is purchased by an Obligor will, in accordance with the Issuer/Borrower Loan Agreement, be surrendered by the Obligor to the Issuer.

## **7.8 Cancellation**

All:

- (a) Notes redeemed by the Issuer in full in accordance with these Conditions;
- (b) Notes purchased by an Obligor and surrendered by that Obligor to the Issuer in accordance with Condition 7.7 (Purchases); and
- (c) Notes purchased by the Issuer,

will be cancelled by the Principal Paying Agent upon such redemption or surrender and may not be resold or reissued.

## **8. TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Note Taxes**), unless the Issuer or any relevant Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or, as the case may be, the relevant Paying Agent, shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction on account of Note Taxes.

## 9. PRESCRIPTION

- (a) Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the relevant date in respect of the relevant payment.
- (b) In this Condition, the **relevant date**, in respect of a payment, means the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the relevant Paying Agent or the Note Trustee on or prior to such date) the date on which the full amount of such monies has been so received, and notice to that effect is duly given to the relevant Noteholders in accordance with Condition 17 (Notice to Noteholders).

## 10. NOTE EVENTS OF DEFAULT

### 10.1 Note Events of Default

The Note Trustee at its absolute discretion may, and if either:

- (a) so requested in writing by the holders of Notes outstanding constituting not less than 25 per cent. in aggregate of the Principal Amount Outstanding of Notes then outstanding; or
- (b) so directed by or pursuant to an Extraordinary Resolution of the Noteholders,

shall (in all cases subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Note Acceleration Notice**) to the Issuer and the Issuer Security Trustee declaring all the Notes to be immediately due and repayable at their respective Principal Amount Outstanding together with accrued interest (including, where applicable, other accrued and unpaid amounts) as provided in the Note Trust Deed, if any of the following events (each, a **Note Event of Default**) occurs:

- (i) default is made for a period of three Business Days in the payment of the principal of, or default is made for a period of five Business Days in the payment of interest on, the Notes then outstanding, in each case when and as the same becomes due and payable in accordance with the Conditions; or
- (ii) (A) the Issuer defaults in the performance or observance of any other obligation binding upon it under the Notes, the Note Trust Deed, the Issuer Security Documents or the other Issuer Transaction Documents to which it is party (subject to the relevant grace periods set out therein); or
- (B) any representation or warranty made by the Issuer under any Issuer Transaction Document is incorrect when made,

and, in any such case (except where the Note Trustee certifies that, in its opinion, such default or matters giving rise to such misrepresentation, as applicable, is incapable of remedy, when no notice will be required), such default or matters giving rise to such misrepresentation, as applicable, continue(s) for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

- (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10.1(iv) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, stops or threatens to cease to carry on business or a substantial part of its business (save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Noteholders) or the Issuer is or is deemed unable to pay its debts as and when they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or it is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (iv) an order is made by any competent court or an effective resolution is passed for the winding-up of the Issuer, except for a winding-up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have previously been approved in writing by the Note Trustee or by an Extraordinary Resolution of the Noteholders; or
- (v) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, receivership, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice to appoint an administrator) and such proceedings are not being disputed in good faith, or an administration order is granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, manager, liquidator or other similar official shall be appointed (or formal notice is given of an intention to appoint an administrator) in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer shall take possession of all or any part of the undertaking, property or assets of the Issuer, or an execution, diligence, attachment or sequestration or other process is levied or enforced upon, sued or put in force against all or any part of the undertaking, property or assets of the Issuer and such appointment, possession or process is not discharged or does not otherwise cease to apply within 15 days; or
- (vi) the Issuer (or the shareholders or directors of the Issuer) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, receivership, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of or a composition or similar arrangement with its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of the indebtedness of the Issuer or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

*provided that* in the case of each of the events described in Condition 10.1(ii), the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders and notice of such certification shall have been given to the Noteholders in accordance with Condition 17 (Notice to Noteholders).

## **10.2 Effect of Note Acceleration Notice**

Upon the service of a Note Acceleration Notice in accordance with Condition 10.1 (Note Events of Default), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding together with accrued interest and other accrued but unpaid amounts as provided in the Note Trust Deed as described in Condition 11 (Action and Proceedings).

## **10.3 Issuer Security enforceable**

Upon the occurrence of a Note Event of Default, the Issuer Security will become enforceable.

## **11. ACTION AND PROCEEDINGS**

- (a) The Note Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Issuer Transaction Documents as it may think fit (including, without limitation, the giving of a Note Acceleration Notice, directing the Issuer Security Trustee to take any action under or in connection with any of the Issuer Transaction Documents or, after the occurrence of a Note Event of Default, to take steps to enforce the security constituted by the Issuer Deed of Charge), provided that:
- (i) the Note Trustee shall not be bound to take any such action unless it shall have been directed to do so by (A) an Extraordinary Resolution or Ordinary Resolution (where permitted) of the Noteholders, or (B) a notice in writing signed by the holders of Notes outstanding constituting at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Notes then outstanding;
  - (ii) (except where expressly provided otherwise) the Issuer Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed by (i) the Note Trustee, or (ii) the Note Trustee, having become bound to do so, fails to do so, or (iii) if there are no Notes outstanding, all of the other Issuer Secured Creditors;
  - (iii) neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such action under this Condition 11 unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction; and
  - (iv) the Note Trustee shall not be entitled to take any steps or proceedings to procure the winding-up, administration, dissolution, court protection, reorganisation, receivership, liquidation, bankruptcy or other insolvency proceeding of the Issuer, subject to Condition 12(d) (Limit on Noteholder action, limited recourse and non-petition).
- (b) Notwithstanding the foregoing, the Issuer Deed of Charge provides that the Issuer Security Trustee shall enforce the security constituted by the Issuer Deed of Charge by appointing an administrative receiver in respect of the Issuer if it has actual notice of (i) an application for the appointment of an administrator in respect of the Issuer or (ii) the giving of a notice of intention to appoint an administrator in respect of the Issuer, such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding.

- (c) The Issuer Deed of Charge provides that (i) the Issuer Security Trustee is not liable for any failure to appoint an administrative receiver in respect of the Issuer, save in the case of its own gross negligence, wilful default or fraud and (ii) in the event that the Issuer Security Trustee appoints an administrative receiver in respect of the Issuer under the Issuer Deed of Charge in the circumstances set out in paragraph (b) above, then the Issuer shall waive any claims against the Issuer Security Trustee in respect of the appointment of the administrative receiver.

## **12. LIMIT ON NOTEHOLDER ACTION, LIMITED RECOURSE AND NON-PETITION**

- (a) No Noteholder shall be entitled to proceed directly against the Issuer or any other Issuer Secured Creditor or any other party to any of the Issuer Transaction Documents to seek to enforce the Issuer Security or to enforce the performance of any of the provisions of the Issuer Transaction Documents and/or to take any proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, except if the Note Trustee or the Issuer Security Trustee, as the case may be, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to petition or to take any action or other steps or proceedings to procure the winding up, administration, dissolution, court protection, reorganisation, receivership, liquidation, bankruptcy or other insolvency proceeding of the Issuer or for the appointment of an administrator, manager, receiver, receiver manager, administrative receiver, trustee, liquidator, sequestrator or similar officer in respect of the Issuer or any of its revenues or assets.
- (b) While there are Notes outstanding, the Issuer Security Trustee will not be required to enforce the Issuer Security at the request of any Issuer Secured Creditor other than the Note Trustee.
- (c) Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the Issuer Charged Assets. If:
  - (i) there are no Issuer Charged Assets remaining which are capable of being realised or otherwise converted into cash;
  - (ii) all amounts available from the Issuer Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and
  - (iii) there are insufficient amounts available from the Issuer Charged Assets to pay in full, in accordance with the provisions of the Issuer Deed of Charge, amounts outstanding under the Notes (including payments of principal, other amounts (if any) and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, other amounts (if any) and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease and the rights of the Noteholders to receive any further amounts in respect of such obligations shall be extinguished.

- (d) Subject to the Issuer Security Trustee's rights and powers under the Issuer Deed of Charge, none of the Note Trustee, the Issuer Security Trustee, the Noteholders or

the Issuer Secured Creditors will be entitled to petition or take any action or other steps or legal proceedings for the winding-up, dissolution, court protection, reorganisation, receivership, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of an administrator, manager, receiver, receiver manager, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer in respect of the Issuer or any of its revenues or assets, provided that the Note Trustee or the Issuer Security Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party and provided further that the Note Trustee or the Issuer Security Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Issuer Deed of Charge or the other Issuer Transaction Documents.

- (e) None of the Noteholders or any of the other parties to the Issuer Transaction Documents will have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of the Notes, the Issuer Deed of Charge or any other Issuer Transaction Document to which it is a party or any notice or documents which it is requested to deliver hereunder or thereunder.
- (f) Nothing in this Condition shall affect a payment under the Notes from falling due for the purposes of Condition 10 (Note Events of Default).

### **13. NOTE MATURITY REPORT**

- (a) On or before the date falling twelve months prior to the Note Final Maturity Date, the Special Servicer will, where the Issuer/Borrower Loans remain outstanding and where, in its opinion (acting in accordance with the Servicing Standard), all recoveries then anticipated by the Special Servicer with respect to the Issuer/Borrower Loans are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Note Final Maturity Date, deliver a report (the **Note Maturity Report**), in draft form, no later than 45 days after the date falling twelve months prior to the Note Final Maturity Date, to the Issuer (which must promptly deliver the same to the Noteholders), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent as to a selection of proposals and/or strategies to enable the maximisation of recoveries in respect of the Issuer/Borrower Loans. The Issuer, with the assistance of the Special Servicer, will publish a draft of the Note Maturity Report with the Regulatory Information Service.
- (b) At least one proposal provided by the Special Servicer must be that the Issuer Security Trustee, at the cost of the Issuer, will engage an independent financial adviser or a receiver to advise the Issuer Security Trustee as to the enforcement of the Issuer Security.
- (c) Upon receipt of the draft Note Maturity Report, the Note Trustee will convene a meeting of the Noteholders (at the cost of the Issuer) to discuss the various proposals set out in the draft Note Maturity Report. If required by the Note Trustee, the Special Servicer shall attend and be available to speak at such meeting.
- (d) Promptly following any such meeting, the Special Servicer will be required to reconsider and modify the Note Maturity Report (taking into account the discussions at the meeting of Noteholders held in relation thereto) and shall promptly deliver such final Note Maturity Report to the Issuer (which must promptly deliver the same to the

Noteholders), the Obligor Security Trustee, the Issuer Cash Manager, the Issuer Security Trustee, the Note Trustee and the LF Agent.

- (e) Upon receipt of the final Note Maturity Report, the Note Trustee will convene a meeting of the Noteholders (at the cost of the Issuer) where the Noteholders will be required to select their preferred option among the proposals set out in the final Note Maturity Report.
- (f) If a proposed strategy of the Special Servicer as set out in the final Note Maturity Report is approved at a meeting of the Noteholders by way of Ordinary Resolution, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard. If no option presented to Noteholders in the Note Maturity Report receives the approval of the Noteholders by Ordinary Resolution at such meeting, the Issuer Security Trustee shall be deemed directed by all the Noteholders to appoint a receiver to realise the Issuer Security as soon as practicable upon being able to do so.

#### **14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER, SUBSTITUTION AND TERMINATION OF ISSUER-RELATED PARTIES**

##### **14.1 Meeting of Noteholders**

- (a) The Note Trust Deed contains provisions for convening meetings of any Class or all Classes of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution or Ordinary Resolution, as appropriate, of, among other things, a modification of the Notes or the Note Trust Deed (including these Conditions) or the provisions of any of the other Issuer Transaction Documents.
- (b) These provisions allow the Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer to convene (or require the Issuer to convene) Noteholder meetings for any purpose, including consideration of Extraordinary Resolutions or Ordinary Resolutions, and provide that at least 14 clear days' (or, in the case of an adjourned meeting, at least seven clear days') notice of such meeting must be given to Noteholders in accordance with Condition 17 (Notice to Noteholders). The Note Trustee shall be obliged to convene a meeting of the Noteholders of any Class or Classes of the Notes (in each case for so long as any Notes remain outstanding), if requested to do so in writing by the holders of Notes outstanding constituting at least 10 per cent. of the Principal Amount Outstanding of the Notes of the relevant Class or Classes (subject to being indemnified and/or secured and/or prefunded to its satisfaction).

##### **14.2 Quorum at Noteholders' meeting**

- (a) Subject as provided in Condition 14.3 (Basic Terms Modification), the quorum at any meeting of Noteholders (or of any Class of Noteholders) for passing an Ordinary Resolution will be one or more persons present holding Notes outstanding or holding voting certificates or being proxies representing Notes outstanding constituting not less than 20 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.
- (b) Subject as provided in Condition 14.3 (Basic Terms Modification), the quorum at any meeting of the Noteholders (or of any Class of Noteholders) for passing an

Extraordinary Resolution will be one or more persons present holding Notes outstanding or holding voting certificates or being proxies representing Notes outstanding constituting not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.

- (c) Subject as provided in Condition 14.3 (Basic Terms Modification), the quorum at any adjourned meeting of Noteholders (or of any Class of Noteholders), for passing an Extraordinary Resolution or an Ordinary Resolution will be one or more persons present holding Notes outstanding or holding voting certificates or being proxies representing Notes outstanding constituting not less than ten per cent. of the aggregate Principal Amount Outstanding of such Class or Classes of Notes then outstanding.

### 14.3 Basic Terms Modification

The quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution that would have the effect of sanctioning:

- (a) a modification of the date of maturity of any Class of Notes;
- (b) a reduction in the amount of principal or the rate of interest payable in respect of any Class of Notes;
- (c) an alteration to the method of calculating the amount payable in respect of any Class of Notes on redemption or at maturity;
- (d) modification of any day for payment in respect of any interest or principal in respect of any Class of Notes;
- (e) any alteration of the currency of payment of any Class of Notes;
- (f) a release of the Issuer Security (or any part thereof) other than in accordance with the provisions of the Issuer Transaction Documents (and without prejudice to the Note Trustee's and the Issuer Security Trustee's ability to exercise their respective powers and discretions under the Note Trust Deed, the Issuer Deed of Charge and the other Issuer Transaction Documents);
- (g) an alteration to the priority of payment of interest, principal or other amounts (if any) in respect of any Class of Notes; or
- (h) a modification to the definition of "Basic Terms Modification" or the quorum or majority required to effect a Basic Terms Modification,

(each, a **Basic Terms Modification**), except, in each case, as set out in the final Note Maturity Report delivered to the Noteholders pursuant to Condition 13 (Note Maturity Report) (when an Ordinary Resolution shall be sufficient), shall be one or more persons holding Notes outstanding of the relevant Class or voting certificates in respect thereof or proxies representing not less than 75 per cent. of the Principal Amount Outstanding of such Class of Notes for the time being outstanding, or at any adjourned such meeting, not less than 25 per cent. of the Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding. Where a Basic Terms Modification is included in the final Note Maturity Report delivered to the Noteholders pursuant to Condition 13 (Note Maturity Report), such Basic Terms



Modification may be approved in accordance with Condition 13 (Note Maturity Report).

#### **14.4 Extraordinary Resolution and Ordinary Resolution**

- (a) The Note Trust Deed provides that subject to paragraph (b) below and except in the case of the following, each of which must be directed by the Noteholders acting as a single Class:
- (i) an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice pursuant to Condition 10 (Note Events of Default);
  - (ii) an Extraordinary Resolution pursuant to Condition 11 (Action and proceedings);
  - (iii) an Extraordinary Resolution to retire, replace and/or appoint, as applicable pursuant to the relevant Issuer Transaction Document, the Issuer Cash Manager, any Agent, the Issuer Account Bank, the Note Trustee and/or the Issuer Security Trustee;
  - (iv) an Ordinary Resolution to terminate the appointment of the Servicer or the Special Servicer, to waive a Servicer Event of Default, pursuant to the Servicing Agreement, to approve a final Note Maturity Report and/or to approve the appointment of a Property Adviser and certain action taken by the Obligors that is contrary to the recommendations of the Servicer or Special Servicer (as applicable) in certain situations, in each case as set out in the Servicing Agreement; and
  - (v) an Extraordinary Resolution to enforce certain rights under, and in accordance with, the Servicing Agreement,
- that:
- (vi) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of one Class only of the Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Notes of that Class;
  - (vii) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of all Classes of the Notes but does not give rise to a conflict of interest between the holders of each Class of the Notes shall be deemed to have been duly passed if passed at a single meeting of the holders of the Notes of all Classes so affected; and
  - (viii) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of the Notes of more than one Class and gives or may give rise to a conflict of interest between the holders of one Class or group of Classes so affected and the holders of the Notes of another Class or group of Classes so affected shall be deemed to have been duly passed only if passed at a separate meeting of the holders of the Notes of all Classes so affected.
- (b) Any Extraordinary Resolution in respect of a Basic Terms Modification shall only be effective if duly passed at separate meetings (or by separate resolutions in writing or

by separate resolutions passed by way of consents received through the relevant Clearing System(s)) of each relevant affected Class of Noteholders.

- (c) The Note Trust Deed contains similar provisions in relation to directions in writing from Noteholders of a certain Class upon which the Note Trustee is bound to act.
- (d) An Extraordinary Resolution or an Ordinary Resolution passed in accordance with the Note Trust Deed at any meeting of the Noteholders or any Class or Classes thereof shall be binding on the Noteholders irrespective of the effect upon them. Notice of the result of the voting on any resolution duly considered by the Noteholders or any Class or Classes thereof shall be published in accordance with Condition 17 (Notice to Noteholders) by the Issuer within 14 days of such result being known, provided that the non-publication of such notice shall not invalidate such result.

**Class** shall be a reference to any or all of:

- (a) the Initial Notes and any Further Notes that are intended to be fungible and are consolidated and form a single class with the Initial Notes, as one class;
- (b) any Replacement Notes (for the avoidance of doubt, any Replacement Notes issued with terms and conditions which differ from previously issued Replacement Notes will be deemed to be a separate class to such previously issued Replacement Notes) and any Further Notes that are intended to be fungible and are consolidated and form a single class with such Replacement Notes, as one class; and
- (c) any New Notes (for the avoidance of doubt, any New Notes issued with terms and conditions which differ from previously issued New Notes will be deemed to be a separate class to such previously issued New Notes) and any Further Notes that are intended to be fungible and are consolidated and form a single class with such New Notes, as one class,

or the Notes as a single class as the context may require, or their respective holders as the case may be, and **Classes** shall be construed accordingly.

**Extraordinary Resolution** means, subject to the terms of this Condition 14 (Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Issuer-Related Parties) and the Note Trust Deed, in respect of a Class or Classes of Noteholders means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Note Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll;
- (b) a Written Extraordinary Resolution; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of a Class or Classes of Noteholders holding not less than 75 per cent. in aggregate Principal Amount Outstanding of a Class or Classes of Notes for the time being outstanding.

**Ordinary Resolution** means, subject to the terms of this Condition 14 (Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Issuer-Related Parties) and the Note Trust Deed, in respect of a Class of Noteholders:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Note Trust Deed by a clear majority consisting of not less than 50.1 per cent. of the persons voting thereat on a show of hands or, if a poll is duly demanded, by a simple majority of the votes cast on such poll; or
- (b) a Written Ordinary Resolution; or
- (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Note Trustee) by or on behalf of a Class of Noteholders holding not less than 50.1 per cent. in aggregate Principal Amount Outstanding of a Class Notes for the time being outstanding, or as the case may be, of the Notes for the time being outstanding.

**Written Extraordinary Resolution** means an Extraordinary Resolution passed in writing by holders of not less than 75 per cent. of the Principal Amount Outstanding of any Class of Notes.

**Written Ordinary Resolution** means an Ordinary Resolution passed in writing by holders of not less than 50.1 per cent. of the Principal Amount Outstanding of any Class of Notes.

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

- (a) Pursuant to the Issuer Transaction Documents, the implementation of certain matters will or may (at the request of the Note Trustee or the Issuer Security Trustee), be subject to the receipt of a Rating Agency Confirmation.
- (b) For the avoidance of doubt, such Rating Agency Confirmation or non-receipt of such Rating Agency Confirmation shall, however, not be construed to mean that any such action or inaction (or contemplated action or inaction) or such exercise (or contemplated exercise) by the Note Trustee or the Issuer Security Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Note Trust Deed or any of the other Issuer Transaction Documents is not materially prejudicial to the interest of holders of that Class of Notes.

#### **14.6 Disenfranchised Holder**

For each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution or an Ordinary Resolution (whether in writing as envisaged by paragraph 2 of Schedule 3 (Provisions for Meetings of Noteholders) to the Note Trust Deed, or otherwise) and any direction or request by the holders of Notes of any Class or Classes;
- (b) the quorum required at any meeting of any Class or Classes of Noteholders considering an Extraordinary Resolution or an Ordinary Resolution of the Noteholders or the majority of votes cast at such meeting;
- (c) the majorities required for any Extraordinary Resolution or Ordinary Resolution of Noteholders;
- (d) the holders of any Notes for the purposes of giving any direction to or making any request of the Note Trustee (or any other party);

- (e) the determination of how many and which Notes are for the time being outstanding for the purposes of Conditions 10 (Note Events of Default) and 11 (Enforcement), Clause 10.1 (Action, proceedings and indemnification) of the Note Trust Deed and paragraphs 1, 7 and 11 of Schedule 3 (Provisions for Meetings of Noteholders) to the Note Trust Deed and the voting, objecting (including, without limitation, in respect of Condition 14.10(c) (Modification and waivers)) or directing rights attached thereto;
- (f) the rejection of proposed amendments by Noteholders pursuant to this deed or any other provision of the Issuer Transaction Documents;
- (g) any right, discretion, power or authority (whether contained in this deed, any other Issuer Transaction Document or vested by operation of law) which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any Class of Classes of Noteholders; or
- (h) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of any Class or Classes of Noteholders,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of (or in relation to which the right to vote is directed or otherwise controlled by):

- (i) the Issuer or any Affiliate of the Issuer;
- (ii) any Obligor or its respective Affiliates;
- (iii) the Sponsor and its respective Affiliates; and
- (iv) any Mezzanine Related Noteholder or its respective Affiliates,

(each such person falling within (a), (b), (c) and (d) above, a **Disenfranchised Holder**) in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding and shall not be counted towards any quorum, majority, objection or determination (as the case may be) and the voting, objecting or directing rights attaching to any Notes held by a Disenfranchised Holder shall not be exercisable by such Disenfranchised Holder.

In no circumstances shall any person be entitled to convene any meeting of any Class of Noteholders at the request of any Disenfranchised Holder.

**Sponsor** means from time to time:

- (a) any fund and/or other entity managed, advised, owned and/or controlled by a person that ultimately directly or indirectly controls the Borrower Holdco; and
- (b) the person that ultimately directly or indirectly controls the Borrower Holdco.

**Mezzanine Related Noteholder** means a Noteholder, which:

- (a) beneficially owns (or has an Affiliate which beneficially owns) all, or any portion of, or any direct or indirect debt or equity interest in any Mezzanine Issuer; or

- (b) beneficially owns (or has an Affiliate which beneficially owns) directly or indirectly all, or any portion of, any Mezzanine Loan Note or is (or has an Affiliate which is) a party to a Mezzanine Debt Purchase Transaction; or
- (c) has (or has an Affiliate which has) entered into a sub-participation agreement relating to a Mezzanine Loan Note or any other agreement or arrangement having a substantially similar economic effect; or
- (d) which is (or has an Affiliate which is) a Mezzanine Loan Noteholder or a Mezzanine Noteholder.

**Mezzanine Debt Purchase Transaction** means, in relation to a person, a transaction where such person:

- (a) purchases by way of assignment or transfer;
- (b) enters into any sub-participation in respect of; or
- (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any amount outstanding under the Mezzanine Loan Note Agreement.

#### **14.7 Written Ordinary Resolution and Written Extraordinary Resolution**

- (a) The Note Trust Deed provides that Noteholders (or Noteholders of the relevant Class) may determine matters which could be determined by Extraordinary Resolution or Ordinary Resolution passed at a meeting duly convened and held to be determined instead by a Written Extraordinary Resolution or, as applicable, a Written Ordinary Resolution.
- (b) A Written Extraordinary Resolution has the same effect as an Extraordinary Resolution. A Written Ordinary Resolution has the same effect as an Ordinary Resolution.
- (c) The Note Trust Deed further provides that an Extraordinary Resolution and an Ordinary Resolution can take effect by way of electronic consent given through the Clearing Systems by or on behalf of Noteholders.

#### **14.8 Consent or directions of the Noteholders of any Class**

Notwithstanding any provision to the contrary in these Conditions, the Note Trust Deed or the other Issuer Transaction Documents, at any time that any of the Notes remains outstanding, if the Noteholders of any Class are required to object to, consent or provide directions with respect to a modification of, or waiver or consent in relation to, the Issuer Transaction Document by Ordinary Resolution or Extraordinary Resolution, the Note Trustee, Issuer Security Trustee, Servicer or Special Servicer, as applicable, will require that it will be a condition precedent to the implementation of such modification, waiver or consent that each person who objected, voted or counted in the quorum in any meeting of any Class of Noteholders, or otherwise provided any such objection, consent or direction provides a confirmation that it was not, at the time of such objection, vote, quorum, consent or direction a Disenfranchised Holder.

## **14.9 Type of resolution**

Other than in respect of any matter requiring an Extraordinary Resolution, Noteholders are required to vote by way of an Ordinary Resolution.

## **14.10 Modifications and waivers**

- (a) The Note Trustee may agree, or may direct the Issuer Security Trustee to agree, without the consent or sanction of the of the Noteholders of any Class:
  - (i) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including these Conditions) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the holders of any Class of Notes (for so long as any of the Notes remain outstanding); or
  - (ii) to any modification of the Notes, the Note Trust Deed (including these Conditions) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is:
    - (A) to correct a manifest error or an error proven to the satisfaction of the Note Trustee; or
    - (B) of a formal, minor or technical nature; or
  - (iii) to any modification of the Notes, the Note Trust Deed (including these Conditions) or any of the other Issuer Transaction Documents which is necessary to facilitate the issue of Further Notes, New Notes or Replacement Notes pursuant to Condition 18 (Further Notes, Replacement Notes and New Notes).
- (b) The Note Trustee may also, without the consent or sanction of the Noteholders or the other Issuer Secured Creditors and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and insofar as in its opinion the interests of the Noteholders of each Class of Notes (for so long as any of the Notes remain outstanding) shall not be materially prejudiced thereby, waive or authorise, or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Note Trust Deed (including these Conditions) or in any other Issuer Transaction Documents (which, for the avoidance of doubt, shall include payment by the Issuer Cash Manager of monies standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Issuer Deed of Charge) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default shall not be treated as such for the purposes of the Note Trust Deed (including these Conditions).
- (c) Notwithstanding the provisions of Condition 14.10(a) and Condition 14.10(b) above, the Note Trustee shall be obliged and shall direct the Issuer Security Trustee, without any consent or sanction of the Noteholders or the other Issuer Secured Creditors, to:
  - (i) concur with the Issuer or any other person;

- (ii) direct the Issuer Security Trustee to concur with the Issuer or any other person; or
- (iii) direct the Issuer Security Trustee to direct the Obligor Security Trustee to concur with any Obligor or any other person (without prejudice to the terms of the Servicing Agreement),

in making any modification (other than in respect of a Basic Terms Modification) to these Conditions or any other Issuer Transaction Document that the Issuer considers necessary:

- (iv) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
  - (A) the Issuer certifies in writing to the Note Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (B) in the case of any modification to an Issuer Transaction Document proposed by any of the Issuer Account Bank, a Hedge Counterparty, an Obligor (in relation to an insurance provider), the LF Agent or the Issuer LF Providers or in the case of any request for consent to a modification of an Obligor Transaction Document by the Obligor Account Bank (or an Obligor on their behalf) in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
    - I. the Issuer Account Bank, the Obligor Account Bank, the LF Agent, the Hedge Counterparty, the Obligor or the Issuer LF Providers, as the case may be, certifies in writing to the Issuer or the Note Trustee that such modification is necessary for the purposes described in paragraphs (B)(x) and/or B(y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Note Trustee that it has received the same from the Issuer Account Bank, the Obligor Account Bank, the LF Agent, the Hedge Counterparty, the Obligor or the Issuer LF Providers, as the case may be);
    - II. either:
      - (aa) the Issuer Account Bank, the Obligor Account Bank, the LF Agent, the Hedge Counterparty, the Obligor or the Issuer LF Providers, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Note Trustee that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating

Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer and the Note Trustee; or

- (bb) the Issuer certifies in writing to the Note Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and

- III. the requesting party pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee in connection with such modification;

- (C) for the purpose of enabling the Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies to the Note Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(the certificate to be provided by the Issuer or the relevant party, as the case may be, pursuant to paragraph (A) above being a **Modification Certificate**), provided that:

- (I) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee;
- (II) the Modification Certificate in relation to such modification shall be provided to the Note Trustee both at the time the Note Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (III) the consent of each Issuer Secured Creditor which is party to the relevant Issuer Transaction Document has been obtained,

and provided further that:

- (IV) other than in the case of a modification pursuant to paragraph (B) above, either:
  - (1) the Issuer obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or



- (2) the Issuer certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (V) (1) the Issuer has provided at least 30 calendar days' notice to the Noteholders of the proposed modification in accordance with Condition 17 (Notice to Noteholders) and by publication on Bloomberg L.P. on the "Company News" screen relating to the Notes, and (2) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Notes have not contacted the Note Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Note Trustee that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding have notified the Note Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders is passed in favour of such modification in accordance with Condition 14 (Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Issuer-Related Parties).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Note Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

Other than where specifically provided in this Condition 14.10 or any Transaction Document:

- (D) when implementing any modification pursuant to this Condition 14.10 (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Note Trustee shall not consider the interests of the Noteholders, any other Issuer Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant party, as the case may be, pursuant to this Condition 14.10 and shall not be liable to the Noteholders, any other Issuer Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

- (E) the Note Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee would have the effect of
  - (i) exposing the Note Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or
  - (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee in the Issuer Transaction Documents and/or the Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (F) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
  - (G) the Issuer Secured Creditors; and
  - (H) the Noteholders in accordance with Condition 17 (Notice to Noteholders).
- (d) The Note Trustee will rely without further investigation on any confirmation or certification provided to it in connection with the modifications (and, in relation to any certification as to whether the modifications constitute a Basic Terms Modification shall rely on such certification) and will not monitor or investigate whether the Issuer is acting in a commercially reasonable manner, nor will the Note Trustee be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer.
  - (e) Any such modification, waiver, authorisation or determination in accordance with these Conditions or the Issuer Transaction Documents shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 17 (Notice to Noteholders).

#### **14.11 Conflicts**

Where the Note Trustee is required, in connection with the exercise of its rights, powers, trusts, authorities, duties and discretions (including, without limitation, giving any consent, approval, modification, waiver, authorisation or determination), to have regard to (A) the general interests of each Class of Noteholders, it shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number), and, in particular, but without prejudice to the generality of the foregoing: the Note Trustee shall not have regard to, or be in any way liable for, the consequences of any such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory (or any political sub-division thereof) and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Note Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders; and (B) the interests of the Noteholders of all Classes equally.

#### **14.12 Note Trustee discretions**

The Note Trustee shall be entitled to determine, in its own opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Issuer Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any Class of Noteholders and in making such a determination shall be entitled to take into account, without enquiry, among any other things it may in its absolute discretion consider necessary and/or appropriate, any Rating Agency Confirmation (if available) in respect of such exercise. For the avoidance of doubt, such Rating Agency Confirmation or non-receipt of such Rating Agency Confirmation shall, however, not be construed to mean that any such action or inaction (or contemplated action or inaction) or such exercise (or contemplated exercise) by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Issuer Transaction Documents is not materially prejudicial to the interests of holders of that Class of Notes.

#### **14.13 Substitution of Issuer**

- (a) The Note Trustee may (in accordance with Clause 27 (Substitution) of the Note Trust Deed, subject to such amendments of these Conditions and of any of the Issuer Transaction Documents, and to such other conditions as the Note Trustee may require), without the consent of the Noteholders or any other Issuer Secured Creditor, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) as the principal debtor in respect of the Notes of another body corporate (being a single purpose vehicle) *provided that* each Rating Agency provides a Rating Agency Confirmation (it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation) prior to such substitution taking place and subject to satisfaction of certain other conditions set out in the Note Trust Deed (or suitable arrangements being put in place to ensure satisfaction of such conditions). In the case of substitution of the Issuer, for so long as the Notes are listed on the official list of the Irish Stock Exchange and its rules so require, the Irish Stock Exchange shall be notified by the Issuer of such substitution, a supplemental listing document will be prepared by the new principal debtor and filed with the Irish Stock Exchange (if required) and notice of the substitution will be given to the Noteholders by the Issuer in accordance with Condition 17 (Notice to Noteholders).
- (b) In connection with any such substitution of the Issuer as referred to in Condition 14.13(a) above, the Note Trustee and the Issuer Security Trustee may also agree, without the consent of the Noteholders or the other Issuer Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Issuer Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, be materially prejudicial to the interests of the Noteholders or (if there are no Notes outstanding) the other Issuer Secured Creditors and the Issuer shall promptly notify the Rating Agencies of any such change of law.

#### **14.14 Notes being held through Euroclear or Clearstream, Luxembourg**

- (a) Where, for the purposes of these Conditions, the Note Trustee or any other party to the Issuer Transaction Documents requires a Noteholder holding an interest in Notes through Euroclear or Clearstream, Luxembourg, to establish its holding of such

interest in the Notes to the satisfaction of such party, such holding shall be considered to be established if such Noteholder provides to the requesting party:

- (i) a EUCLID Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person's holding in the Notes;
  - (ii) if the relevant Notes are held through one or more custodians, a signed letter from each such custodian confirming on whose behalf it is holding such Notes such that the Note Trustee is able to verify to its satisfaction the chain of ownership to the beneficial owner; and
  - (iii) any other evidence of holding of such interest in the relevant Notes in a form acceptable to the Note Trustee.
- (b) If, in connection with verifying its holding, the Note Trustee requires a Noteholder to temporarily block its interest in the Notes in Euroclear or Clearstream, Luxembourg, such Noteholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian, if applicable), to do so.

#### **15. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE**

- (a) The Note Trust Deed and the Issuer Security Documents and certain of the other Issuer Transaction Documents contain provisions for indemnification of each of the Note Trustee and the Issuer Security Trustee and for their responsibility and relief from responsibility, including provisions relieving them from taking any action including taking proceedings against the Issuer and/or any other person or, in the case of the Issuer Security Trustee, enforcing the security constituted by the Issuer Security Documents unless indemnified and/or secured and/or prefunded to their satisfaction.
- (b) The Note Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Note Trustee and the Issuer Security Trustee are entitled, *inter alia*:
- (i) to enter into or be interested in any contract or financial or other transaction or arrangement with the Issuer and/or any other party to any of the Issuer Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Issuer Transaction Documents;
  - (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders; and
  - (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- (c) The Note Trust Deed provides (in respect of the Note Trustee) and the Issuer Deed of Charge provides (in respect of the Issuer Security Trustee) that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Note

Trustee and Issuer Security Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

- (d) The Note Trustee may in relation to the Note Trust Deed and the Issuer Security Trustee may in relation to the Issuer Deed of Charge, or (in either case) any other Issuer Transaction Document, act on the advice or opinion of, or a certificate or report from, or any information obtained from, any lawyer, valuer, accountant, surveyor, banker, broker, auctioneer, auditor, professional advisor, financial advisor or other expert, whether obtained by the Issuer, the Note Trustee, the Issuer Security Trustee or otherwise and whether addressed to the Note Trustee or Issuer Security Trustee, notwithstanding that such advice, report, opinion, certificate, information, or any engagement letter or any other document entered into by the Note Trustee or the Issuer Security Trustee or the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person and shall not be responsible for any Liability occasioned by so acting.
- (e) The Note Trustee and the Issuer Security Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion (which may be based upon legal advice), be contrary to any law of that jurisdiction or any directive or regulation of any agency of any state and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation. Furthermore, the Note Trustee and the Issuer Security Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

## **16. REPLACEMENT OF GLOBAL NOTES AND DEFINITIVE NOTES**

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of the expenses incurred in connection with such Replacement Note and on such terms as to evidence and indemnity as the Issuer, the Registrar, the Paying Agent or the Note Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before Replacement Notes will be issued.

## **17. NOTICE TO NOTEHOLDERS**

### **17.1 Validity of notices**

- (a) All notices, other than notices given in accordance with Conditions 17.2 (Impossibility) to 17.5 (Verified Noteholder and Initiating Noteholder) (inclusive) of this Condition 17, to Noteholders shall be deemed to have been validly given if:
  - (i) for so long as the Notes are listed on a stock exchange, and the rules of such stock exchange or any applicable regulation so require, or at the option of the Issuer, they have been delivered through the announcements section of the

relevant stock exchange and a regulated information service maintained or recognised by such stock exchange;

- (ii) for so long as the Notes are represented by Global Notes, and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow, they have been delivered to Euroclear and/or Clearstream, Luxembourg, for communication by them to their participants and for communication by such participants to entitled account holders;
  - (iii) for so long as the Notes are represented by Global Notes and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow, they have been delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee; or
  - (iv) if the Notes are in definitive form, they have been published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be the *Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers having a general circulation in Ireland and the rest of Europe.
- (b) Any such notice shall be deemed to have been given on:
- (i) in the case of a notice delivered to the regulated information service of a stock exchange, the day on which it is delivered to such stock exchange;
  - (ii) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
  - (iii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
  - (iv) in the case of a notice published in a newspaper, the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required.

## 17.2 Impossibility

If it is impossible or impractical to give notice in accordance with paragraphs (a)(i), (a)(ii) or (a)(iii) of Condition 17.1 (Validity of notices) then notice of the relevant matters shall be given in accordance with paragraph (a)(iv) of Condition 17.1 (Validity of notices).

## 17.3 Copy of notices to Rating Agencies

A copy of each notice given in accordance with this Condition 17 shall be provided to any rating agency that assigns a rating to the Notes for so long as, in each case, such rating agency publishes credit ratings in relation to the Notes (the **Rating Agencies**) to which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes or any Class

thereof. For the avoidance of doubt, and unless the context otherwise requires, all references to **rating** and **ratings** in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

#### **17.4 Note Trustee can sanction other methods of giving notice**

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and *provided that* notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require. The Note Trustee shall give notice to the Noteholders in accordance with this Condition 17 of any additions to, deletions from or alterations to such methods from time to time.

#### **17.5 Verified Noteholder and Initiating Noteholder**

- (a) Any Verified Noteholder will be entitled from time to time to request the Issuer Cash Manager to publish a notice on its investor reporting website requesting other Verified Noteholders of any Class or Classes to contact it subject to and in accordance with the following provisions.
- (b) For these purposes, **Verified Noteholder** means a Noteholder which has satisfied the Issuer Cash Manager that it is a Noteholder in accordance with Condition 14.14 (Notes being held through Euroclear or Clearstream, Luxembourg).
- (c) Following receipt of a request for the publication of a notice from a Verified Noteholder (the **Initiating Noteholder**), the Issuer Cash Manager shall publish such notice on its investor reporting website as an addendum to any semi-annual in respect of the Issuer substantially in the form set out in the Issuer Cash Management Agreement (the **Issuer Cash Manager Half Yearly Report**) or other report to Noteholders due for publication within five Business Days of receipt of the same (or, if there is no such report, through a special notice for such purpose as soon as is reasonably practical after receipt of the same) *provided that* such notice contains no more than:
  - (i) an invitation to other Verified Noteholders (or any specified Class or Classes of the same) to contact the Initiating Noteholder;
  - (ii) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and
  - (iii) the date(s) from, on or between which the Initiating Noteholder may be so contacted.
- (d) The Issuer Cash Manager will not request and will not be permitted to publish any further or different information through this mechanism.
- (e) The Issuer Cash Manager will have no responsibility or liability for the contents, completeness or accuracy of any such published information and shall have no responsibility (beyond publication of the same in the manner described above) for ensuring Noteholders receive the same.

## **18. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES**

### **18.1 Further Notes**

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue) as, and so that the same shall be consolidated and form a single Class and rank *pari passu* with, any Class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £5,000,000;
- (b) any Further Notes are assigned the same ratings as are then applicable to the Class of Notes with which they are to be consolidated and form a single Class;
- (c) the ratings of each Class of Notes at that time outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Notes;
- (d) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Issuer/Borrower Loan Agreement; and
- (e) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Irish Stock Exchange's regulated market and listed on the official list of the Irish Stock Exchange or, if the Notes then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Notes then issued are then admitted to trading on.

### **18.2 Replacement Notes**

If Condition 14.13 (Substitution of the Issuer) is satisfied, the Issuer may, without the consent of the Noteholders, issue one or more Classes of replacement notes (**Replacement Notes**) to replace one or more Classes of the Notes, each Class of which shall have terms and conditions which may differ from the terms and conditions of the Class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, provided that the Class or Classes of Notes to be replaced are redeemed in full in accordance with Condition 7.4 (Redemption upon prepayment of the Issuer/Borrower Loans) or the corresponding Condition of such other Class or Classes of Notes and the conditions to the issue of Further Notes as set out in Condition 18.1(a), (c), (d) and (e) are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes.

### **18.3 New Notes**

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes (**New Notes**) which will rank *pari passu* with the then existing Notes and which may have terms and conditions which differ from the then existing Notes and which will not form a single Class with the existing Notes provided that the conditions to the issue of



Further Notes as set out in Condition 18.1(a), (c), (d) and (e) are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

#### **18.4 Notice of Further Notes, Replacement Notes or New Notes**

The Issuer shall give notice to the Noteholders in accordance with Condition 17 (Notice to Noteholders) that the conditions described in this Condition 18 (Further Notes, Replacement Notes and New Notes) have been or will be met on the date of issue of such New Notes, Further Notes, Replacement Notes, as the case may be.

#### **18.5 Supplemental trust deeds and security**

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Note Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Issuer Transaction Documents may, without the consent of the Noteholders, be amended (other than a Basic Terms Modification) as provided in Condition 14.10 (Modifications and waivers) or otherwise, and further Issuer Transaction Documents may be entered into, without the consent of the Noteholders, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of any of the parties to any amended Issuer Transaction Document or any further Issuer Transaction Document may rank ahead of, *pari passu* with, or behind, any Class or Classes of the Notes, provided, in each case, that the condition set out in Condition 18.1(c) is satisfied, *mutatis mutandis*.

### **19. RIGHTS OF THIRD PARTIES**

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

### **20. GOVERNING LAW AND JURISDICTION**

#### **20.1 Governing law**

The Issuer Transaction Documents (other than any Issuer Transaction Documents entered into following the Initial Closing Date which are governed by a law other than English law) and the Notes, and any non-contractual obligation arising from or in connection with them, will be governed by, and shall be construed in accordance with, English law.

#### **20.2 Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Note Trust Deed, the Issuer Deed of Charge, the Notes and the other Issuer Transaction Documents. The Issuer has in each of the Issuer Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of the English courts.

## DESCRIPTION OF THE NOTES

*The information set out below has been obtained from sources that the Issuer believes to be reliable and the Issuer accepts responsibility for correctly reproducing this information, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of 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. None of the Issuer, the Registrar, the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Issuer Account Bank, or any Agent party to the Agency Agreement (or any Affiliate of any of the above, or any person by whom any of the above is controlled) will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

### **GENERAL**

The Notes (which will each be in the denomination of £100,000 and integral multiples of £1,000 in excess thereof) will be represented initially by a Global Note in registered form. The Global Note will be deposited with a common safekeeper and registered in the name of a nominee of the common safekeeper, on or about the Closing Date. Upon deposit of the Global Note, Euroclear and/or Clearstream, Luxembourg, will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which each such subscriber has subscribed and paid.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the Clearing Systems as common safekeeper and does not mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

### **HOLDING OF BENEFICIAL INTERESTS IN GLOBAL NOTE**

Ownership of beneficial interests in respect of Global Note will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (direct participants), or persons that hold beneficial interests in the Global Note through participants (indirect participants) and, together with direct participants, **participants**, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect participants will also include persons that hold beneficial interests through such indirect participants. Beneficial interests in the Global Note will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective interests beneficially owned by such participants on each of their respective book-entry registration and transfer systems. Ownership of beneficial interests in the Global Note will be shown on, and transfers of beneficial interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants), and on the records of participants or indirect participants (with respect to the interests of their participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within

such jurisdictions or otherwise subject to the laws thereof to own, transfer or pledge beneficial interests in the Global Note.

Except as set out below under "*Issuance of Definitive Notes*", participants or indirect participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a beneficial interest in the Global Note must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its beneficial interest in the relevant Global Note to exercise any rights and obligations of a holder of Notes under the Note Trust Deed.

Unlike legal owners or holders of the Notes, holders of beneficial interests in the Global Note will not have the right under the Note Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of a beneficial interest in the Global Note will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be), and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in the Global Note to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Note Event of Default under the Notes, holders of beneficial interests in the Global Note will be restricted to acting through Euroclear and Clearstream, Luxembourg, unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear, and Clearstream, Luxembourg, under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

Purchasers of beneficial interests in the Global Note will hold such beneficial interests in the Global Note relating thereto. Investors may either hold their beneficial interests in respect of the Global Note directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg, will hold beneficial interests in each Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's, respective book-entry registration and transfer systems.

For further information regarding the purchase of beneficial interests in the Global Note, see "*Subscription and Sale; Transfer Restrictions*".

Although Euroclear and Clearstream, Luxembourg, have agreed to certain procedures to facilitate the transfer of beneficial interests in the Global Note among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg, or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

### ***PAYMENTS ON THE GLOBAL NOTE***

Each payment of interest on and repayment of principal of the Notes will be made in accordance with the Agency Agreement.

Payments of any amounts owing in respect of the Global Note will be made by the Issuer following receipt of any principal or interest on the Global Note, in sterling as follows: payments of such amounts in respect of the Global Note to be made to or to the order of Euroclear or Clearstream, Luxembourg, or its nominee which will distribute such payments to Euroclear or Clearstream, Luxembourg, participants who hold beneficial interests in the Global Note in accordance with the procedures of Euroclear or Clearstream, Luxembourg.

Under the terms of the Note Trust Deed, the Issuer and the Note Trustee will treat the registered holders of the Global Note as the owners thereof for the purposes of receiving payments and for all other purposes. Consequently, none of the Issuer, the Issuer Security Trustee, the Note Trustee, any Agent or any other agent of the Issuer, the Issuer Security Trustee or the Note Trustee has or will have any responsibility or liability for:

- (a) any aspect of the records of Euroclear or Clearstream, Luxembourg, or any participant or indirect participant relating to or payments made on account of a beneficial interest or book-entry interest in the Global Note or for maintaining, supervising or reviewing any of the records of Euroclear or Clearstream, Luxembourg, or any participant or indirect participant relating to or payments made on account of a beneficial interest in the Global Note; or
- (b) Euroclear or Clearstream, Luxembourg, or any participant or indirect participant.

The Note Trustee is entitled to rely on any certificate or other document issued by Euroclear or Clearstream, Luxembourg, for determining the identity of the several persons who are for the time being the beneficial holders of any beneficial interest in the Global Note.

All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment by Euroclear or Clearstream, Luxembourg, or its nominee, the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of beneficial interests in the Global Note as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that payments by participants to owners of beneficial interests in the Global Note held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name" or in the names of nominees for such customers. Such payments will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any other agent of the Issuer, the Note Trustee, the Issuer Security Trustee or the Registrar will have any responsibility or liability for any aspect of the records of Euroclear or Clearstream, Luxembourg, relating to or payments made by Euroclear or Clearstream, Luxembourg, on account of a participant's ownership of beneficial interests in the Global Note or for maintaining, supervising or reviewing any records relating to a participant's ownership of beneficial interests in the Global Note.

### ***BOOK-ENTRY OWNERSHIP***

Each Global Note will have an ISIN and a Common Code and will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of the common safekeeper.

## ***INFORMATION REGARDING EUROCLEAR AND CLEARSTREAM, LUXEMBOURG***

Euroclear and Clearstream, Luxembourg, have informed the Issuer as follows:

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg, to facilitate the initial issue of the Global Note and secondary market trading of beneficial interests in the Global Note.

Clearstream, Luxembourg, and Euroclear each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Clearstream, Luxembourg, and Euroclear provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg and Euroclear also deal with domestic securities markets in several countries through established depositary and custodial relationships. Clearstream, Luxembourg, and Euroclear have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Clearstream, Luxembourg, and Euroclear customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg, and Euroclear is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

As Euroclear and Clearstream, Luxembourg, act on behalf of their respective account holders only, who in turn may act on behalf of their respective clients, the ability of beneficial owners who are not account holders with Euroclear or Clearstream, Luxembourg, to pledge interests in the Global Note to persons or entities that are not account holders with Euroclear or Clearstream, Luxembourg, or otherwise take action in respect of interests in the Global Note, may be limited.

The Issuer understands that under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of beneficial interests in the Global Note or if an owner of a beneficial interest in the Global Note desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the direct participants owning the relevant beneficial interests to give instructions or take such action, and such direct participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

## ***REDEMPTION***

For any redemptions of the Global Note in part, selection of the book-entry interests relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as Euroclear or Clearstream, Luxembourg, deems fair and appropriate) provided that only book-entry interests in the original principal amount of £100,000 (and integral multiples of £1,000 in excess thereof) or integral multiples of such original principal amount will be redeemed. Upon any redemption in part, the Registrar will record in the Register the principal amount so redeemed.

## ***TRANSFER AND TRANSFER RESTRICTIONS***

All transfers of beneficial interests in the Global Note will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable,

pursuant to customary procedures established by each respective system and its participants.

Each Global Note will bear a legend substantially identical to that appearing under the section entitled "*Subscription and Sale; Transfer Restrictions*" – "*United States*". Until and including the 40<sup>th</sup> day after the later of the commencement of the offering of the Notes and the closing date for the offering of the Notes, beneficial interests in the Global Note may be held only through Euroclear or Clearstream, Luxembourg.

### ***TRANSFER OF THE GLOBAL NOTE***

The Global Note may be transferred by the common safekeeper to a replacement common safekeeper.

### ***ISSUANCE OF DEFINITIVE NOTES***

Holders of beneficial interests in the Global Note will be entitled to receive Definitive Notes representing Notes of the relevant Class in registered form in exchange for their respective holdings of beneficial interests only if:

- (a) (in the case of the Global Note held by or on behalf of a common safekeeper) either Euroclear or Clearstream, Luxembourg, is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and in either case no alternative clearing system acceptable to the Note Trustee is in existence; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom, Luxembourg or any other jurisdiction (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form.

Any Definitive Notes issued in exchange for beneficial interests in the Global Note will be registered by the Registrar in such name or names as is instructed by Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg, from their participants with respect to ownership of the relevant beneficial interests. In no event will Definitive Notes be issued in bearer form.

### ***FURTHER NOTES***

The Principal Paying Agent shall arrange that, where Further Notes are issued which are intended to form a single Class with the Notes, such Further Notes shall be assigned a Common Code and ISIN and, where applicable, CUSIP and CINS numbers which are different from the Common Code, ISIN, CUSIP and CINS numbers assigned (or, as applicable, to be assigned) to the Notes until at least the expiry of the Distribution Compliance Period.

## **GENERAL**

Any reference herein 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 be approved by the Issuer, the Principal Paying Agent and the Note Trustee.

## **PROVISIONS RELATING TO THE NOTES**

The Notes will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Cancellation:* cancellation of any Note represented by the Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the principal amount of the relevant Global Note.
- *Notices:* so long as any Notes are represented by the 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 Noteholders 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.

## CERTAIN MATTERS OF LUXEMBOURG LAW

*The following is an overview of certain aspects of Luxembourg law and practice in force at the date hereof. It is not a complete overview of currently applicable Luxembourg law and practice and should therefore not be treated as a substitute for professional advice. Prospective Noteholders who are in any doubt as to any matter described in this Prospectus should therefore consult their own professional advisors.*

### **INSOLVENCY PROCEEDINGS**

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as **Luxembourg Insolvency Proceedings**) may be opened against the Obligors to the extent that the Obligors have their registered office or their centre of main interests in Luxembourg:

- (a) bankruptcy proceedings (*faillite*);
- (b) controlled management proceedings (*gestion contrôlée*); and
- (c) composition proceedings (*concordat préventif de la faillite*).

In addition to these proceedings, the ability of the Noteholders to receive payments due under the Notes may be affected by a decision of the commercial district court (*Tribunal d'arrondissement siégeant en matière commerciale*) granting suspension of payments (*sursis de paiements*) or putting the Obligors into judicial liquidation (*liquidation judiciaire*).

### **BANKRUPTCY (FAILLITE)**

#### **EFFECTS OF A BANKRUPTCY PROCEEDING**

The main effect of bankruptcy proceedings is the suspension of all measures of enforcement against the Obligors, except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realisation of assets.

In principle, contracts of the bankrupt company are not automatically terminated on commencement of bankruptcy proceedings, save for contracts for which the identity or solvency of the company was crucial (*intuitu personae* agreements). However, certain contracts are terminated automatically by law (such as employment contracts) unless expressly confirmed by the receiver. The receiver may choose to terminate contracts of the company subject to the rule of "*exceptio non adimpleti contractus*" and the creditors' interest.

Unsecured claims will only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and certain preferential debts.

During Luxembourg Insolvency Proceedings, all enforcement measures by unsecured creditors are suspended.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Obligors during the pre-bankruptcy hardening period (*période suspecte*) which is a period of a maximum of six months preceding the judgment declaring bankruptcy, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in



certain specific situations the commercial district court may set the start of the suspect period at an earlier date.

### ***CONTROLLED MANAGEMENT PROCEEDINGS (GESTION CONTRÔLÉE)***

#### ***General Administration of Controlled Management Proceedings***

If an Obligor loses its commercial creditworthiness (*ébranlement de crédit*) or is not in a position to completely fulfil its obligations, it can apply for the regime of controlled management in order to either (i) restructure its business or (ii) realise its assets in good condition.

Controlled management proceedings are rarely used as they are often not successful and generally lead to bankruptcy proceedings. They are occasionally applied to companies, in particular holding or finance companies, which are part of an international group and whose inability to meet obligations results from a default of group companies.

#### ***EFFECTS OF A CONTROLLED MANAGEMENT PROCEEDING***

As from the day of the appointment of the investigating judge and up to the final decision on the application for controlled management, any subsequent enforcement proceedings or acts, even if initiated by privileged creditors (including creditors who have the benefit of pledges (*gages*) and mortgages (*hypothèques*)) are stayed, save as provided for by the Luxembourg Collateral Act of 5 August 2005 on financial collateral arrangements, as amended (the **Luxembourg Collateral Act**). The company may not enter into any act of disposition, mortgage or contract, or accept any movable asset without the authorisation of the investigating judge.

Once the administrators have been appointed, the company may not carry out any act (including receiving funds, lending money, granting any security or making any payment) without the prior authorisation of the administrators. The administrators may bring any action before the commercial district court in order to have any act made in violation of the legislation governing the controlled management or in fraudulent contravention of the creditors' rights set aside. Subject to the prior authorisation of the commercial district court, they may bring an action: (i) to have the directors, managers or the statutory auditor held liable; or (ii) if the commercial district court has declared the company to be in arrears with payments, to have certain payments, compensations or security interests set aside (under certain conditions set out in Articles 445 *et seq.* of the Luxembourg code of commerce).

### ***PREVENTIVE COMPOSITION PROCEEDINGS (CONCORDAT PREVENTIF DE LA FAILLITE)***

#### ***GENERAL ADMINISTRATION OF PREVENTIVE COMPOSITION PROCEEDINGS***

The Obligors may enter into preventive composition proceedings (*concordat préventif de la faillite*) in order to resolve their financial difficulties by entering into an agreement with their creditors, the purpose of which is to avoid bankruptcy.

#### ***EFFECTS OF A PREVENTIVE COMPOSITION PROCEEDINGS***

The company's business activities continue during preventive composition proceedings. While the composition is being negotiated, the company may not dispose of, or grant any security over, any assets without the approval of the delegated judge. Once the composition

has been agreed by the commercial district court, this restriction is lifted. However, the company's business activities will still be supervised by the delegated judge.

While the composition is being negotiated, creditors may not take action against the company to recover their claims. Secured creditors (including secured creditors benefiting from a financial collateral arrangement governed by the Luxembourg Collateral Act) who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the commercial district court commenced preventive composition proceedings may be set aside (please see "*Effects of a Bankruptcy Proceeding*" above).

### ***EFFECTS OF OPENING OF LUXEMBOURG INSOLVENCY PROCEEDINGS ON SECURITY INTERESTS GOVERNED BY THE LUXEMBOURG COLLATERAL ACT***

The Luxembourg Collateral Act expressly provides that financial collateral arrangements governed by the Luxembourg Collateral Act (such as the pledges created under the Luxembourg law-governed security documents entered into on or about the date of and in connection with the Issuer/Borrower Loan Agreement) including enforcement measures are valid and enforceable even if entered into during the pre-bankruptcy period, against third parties including supervisors, receivers, liquidators and any other similar persons or bodies, irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganisation affecting any one of the parties.

### ***LIMITATION ON ENFORCEMENT OF SECURITY INTERESTS***

According to Luxembourg conflict of laws rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest are situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg.

The Luxembourg Collateral Act governs the creation, validity, perfection and enforcement of pledges over financial instruments including, among others: (i) shares in private limited liability companies; (ii) bank accounts; and (iii) receivables located or deemed to be located in Luxembourg, which have been granted to secure financial obligations. Under the Luxembourg Collateral Act, the perfection of security interests depends on certain registration, notification and acceptance requirements. Article 11 of the Luxembourg Collateral Act sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited to:

- (a) appropriation by the pledgee or appropriation by a third party of the pledged assets at a value determined in accordance with a valuation method agreed upon by the parties;
- (b) selling or causing the sale of the pledged assets: (i) in a private transaction (*vente de gré à gré*) on normal commercial terms (*conditions commerciales normales*); (ii) by a public sale at the stock exchange (if listed shares); or (iii) by way of a public auction;
- (c) court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- (d) set-off between the secured obligations and the pledged assets.

As the Luxembourg Collateral Act does not provide any specific time periods and depending on: (i) the method chosen; (ii) the valuation of the pledged assets; (iii) any possible recourses; and (iv) the possible need to involve third parties, e.g. courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The Luxembourg Collateral Act expressly provides that financial collateral arrangements (including pledges and enforcement measures) are valid and enforceable, even if entered into during the hardening period, against third parties including supervisory, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganisation affecting any one of the parties.

The perfection of the security interests created pursuant to pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

### **LUXEMBOURG THIRD PARTY SECURITY INTERESTS AND GUARANTEE CONSIDERATIONS**

A Luxembourg company may only encumber its assets or provide guarantees in accordance with its corporate objects and for its corporate benefit. A company may hence, in principle, not encumber its assets or provide guarantees in favour of group companies in general (at least as far as parent companies and fellow subsidiaries of its parent companies are concerned). In this respect it should be noted that there is no Luxembourg legislation governing group companies which specifically regulates the establishment, organisation and liability of groups of companies. Consequently, the concept of group interest as opposed to the interest of the individual corporate entity is not expressly recognised. However, based on relevant French and Belgian case law and legal literature (to which Luxembourg courts are likely to refer in this context), the view can be taken that a Luxembourg company may, in principle, validly assist other group companies if:

- (a) they are part of an integrated group;
- (b) it can be established that the company derives a benefit from granting such assistance or that at least, there is no disruption of the balance of interests in the group to the detriment of the Luxembourg company; and
- (c) the assistance is not in terms of the amounts involved disproportionate to the company's financial means and the benefits derived from granting such assistance.

If the assistance is deemed contrary to the interest of the company by the courts, its directors may be held liable for action taken in that context.

To mitigate the above risks, there is certain market practice in Luxembourg to limit personal guarantees, but not *in rem* security, granted by Luxembourg obligors to parent companies and fellow subsidiaries of its parent companies. In the matter at hand, the obligations of each Obligor under the guarantee in the Issuer/Borrower Loan Agreement for the obligations of any other guarantor in which the relevant Obligor has no direct or indirect equity interest is limited to 95 per cent. of the aggregate amount of its own funds and subordinated debt of such Obligor as per the provisions of the Issuer/Borrower Loan Agreement.

### ***CONSIDERATIONS REGARDING ARTICLE 5 OF THE INSOLVENCY REGULATION***

Under Article 5 of Regulation (EC) No. 1346/2000 (the **Insolvency Regulation**), the opening of insolvency proceedings in a particular member state will not affect the rights *in rem* (such as security rights) of a creditor in respect of assets belonging to the debtor which are situated in another member state at the time of the opening of the proceedings. The implication of this provision in the context of the insolvency of any of the Obligors is that any stay on creditor action may not prevent secured creditors from taking enforcement action in respect of secured assets of the Obligors located in the United Kingdom.

## TAX CONSIDERATIONS

### A. UNITED KINGDOM TAXATION

The following is an overview of the Issuer's understanding of current United Kingdom law and published HMRC practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax, provided that the Notes carry a right to interest and the Notes are and 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. The Notes will satisfy this requirement if they are officially listed in the Republic of Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom income 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.) subject to any available exemptions and reliefs. 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 that 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).

Where Notes are issued with a redemption premium (as opposed to being issued at a discount), any such premium element may constitute a payment of interest which will generally be subject to United Kingdom withholding tax, subject to any applicable exemption or relief as outlined above.

### B. UNITED STATES TAXATION

#### ***FOREIGN ACCOUNT TAX COMPLIANCE ACT***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be

required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if Further Notes (as described under "*Terms and conditions of the Notes – Further Notes*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **C. LUXEMBOURG TAXATION**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of the transactions involving the Notes. Prospective investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

#### ***WITHHOLDING TAX***

##### ***NON-RESIDENT HOLDERS OF NOTES***

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, other amounts or interest made to non-resident holders of Notes by a Luxembourg paying agent nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax, payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

##### ***RESIDENT HOLDERS OF NOTES***

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**), there is no withholding tax on payments of principal, other amounts or interest made to Luxembourg resident holders of Notes, which are not individuals, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

## SUBSCRIPTION AND SALE; TRANSFER RESTRICTIONS

Barclays Bank PLC, HSBC Bank plc and RBC Europe Limited (each an **Arranger** and a **Bookrunner** and collectively, the **Arrangers** and **Bookrunners**) have, pursuant to a subscription agreement in relation to the Notes dated on or around 28 February 2017 between the Arrangers, the Obligors and the Issuer (the **Subscription Agreement**), agreed, subject to certain conditions, to procure subscribers and failing which itself to subscribe and pay for the Notes at an issue price of 100 per cent. of the initial principal amount thereof.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Arrangers and the Bookrunners in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Arrangers and the Bookrunners against certain liabilities in connection with the offer and sale of the Notes.

The Arrangers and the Bookrunners have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Brookfield Funds and their subsidiaries and affiliates from time to time, for which they have received monetary compensation. The Arrangers and the Bookrunners may from time to time also enter into swap and other derivative transactions with the Brookfield Funds and their subsidiaries and their affiliates, including in relation to any Further Notes, Replacement Notes and/or New Notes. In addition, the Arrangers and the Bookrunners and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer and/or the Brookfield Funds or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Arrangers and the Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their affiliates. An affiliate of the Arrangers or the Bookrunners may place an order for a portion of the Notes. In the event that it purchases Notes, such affiliate may distribute the Notes to the market as permitted by applicable laws and regulations, but will be under no obligation to do so. The Arrangers and the Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers and the Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Arrangers and the Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### ***UNITED KINGDOM***

Each of Barclays Bank PLC, HSBC Bank plc and RBC Europe Limited (each in its capacity as Arranger and Bookrunner) has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment



activity (within the meaning of Section 21 of the Financial Services and 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; 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.

## **UNITED STATES**

The Notes have not been and will not be registered under the Securities Act or securities laws or "blue sky" laws of any state of the United States or any other relevant federal jurisdiction and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States (**U.S.**) to non-U.S. persons in reliance on Regulation S under the Securities Act. Terms used in this section that are defined in Regulation S under the Securities Act are used herein as defined therein.

The initial purchaser of the Notes will agree that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Distribution Compliance Period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

Each investor in the offered Notes will be deemed, by its acceptance of those Notes, or its beneficial interest in those Notes, to have acknowledged, represented and agreed as follows:

- (a) It understands that such Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of (A) the date upon which the offering of such notes commenced to persons other than distributors in reliance upon Regulation S and (B) the date of issuance of the offered notes, except in either case in accordance with Regulation S under the Securities Act; and
- (b) it understands and acknowledges that such Notes have not been and will not be registered under the Securities Act or any state or applicable securities law and that such notes, or any interest or participation therein, may not be offered, sold, pledged or otherwise transferred unless registered pursuant to, or exempt from registration under, the Securities Act and any other applicable securities law.

The Issuer, the Paying Agents, the Arrangers, the Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

THIS LEGEND WILL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES."

### ***GENERAL***

Except for the approval of this document as a prospectus by the Central Bank of Ireland, no action has been or is being taken by the Issuer or the Arrangers or the Bookrunners in any jurisdiction which would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of this document or any other material relating to the Issuer in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the Notes may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

Each of Barclays Bank plc, HSBC Bank plc and RBC Europe Limited (each in its capacity as Arranger and Bookrunner) has undertaken to the Issuer that it will not, directly or indirectly, offer or sell any Notes, or distribute or publish this document, any other prospectus, form of application, advertisement or any other document in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## **REPORTS TO NOTEHOLDERS**

No later than ten Business Days after each Note Interest Payment Date, the Issuer Cash Manager will make available electronically via the Issuer Cash Manager's internet website (currently located at [www.usbank.com/abs](http://www.usbank.com/abs)) the Issuer Cash Manager's half-yearly report, as well as the Servicer's half-yearly report. The Issuer Cash Manager will also procure that these reports are made available to Bloomberg L.P. for publication.

The Issuer Cash Manager will also make available on its internet website for review, copies of, among other things, the following items:

- (a) the Servicing Agreements and any amendment thereto; and
- (b) all Servicer Valuations delivered to the Issuer Cash Manager pursuant to the Servicing Agreement.

## GENERAL INFORMATION

1. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 8 February 2017.
2. It is expected that the admission of the Notes to the Irish Stock Exchange's Official List and trading on its regulated market will be granted on or about the Closing Date, subject only to issue of the Global Note. The listing of the Notes will be cancelled if the Global Note is not issued.
3. Secondary transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
4. It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The Notes will have the following Common Code and ISIN:

ISIN	Common Code
XS1527548686	152754868

5. So long as the Notes are admitted to the Irish Stock Exchange's Official List and are trading on its regulated market, the most recently published audited financial statements of the Issuer and the audited consolidated annual accounts of the Borrower from time to time will be available at the specified office of the Principal Paying Agent.
6. Each of the Issuer and the Borrower has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes and the related transactions.
7. The Issuer, the Borrower, the Obligor Holdcos and the Propcos are not and are or have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, the Borrower, the Obligor Holdcos or the Propcos are aware), during the last 12 months, which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer, the Borrower, the Obligor Holdcos or the Propcos.
8. There has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.
9. There has been no material adverse change in the consolidated financial position or prospects of the Borrower and Obligor Holdco 2 (other than as set out in the Unaudited *Pro Forma* Financial Information) since the date of the Borrower's Consolidated Accounts and, in respect of each Propco, since the date of the audited annual accounts of each Propco for the year ended 31 December 2015.
10. Since 31 December 2015, there has been no significant change in the financial or trading position of the Issuer.
11. There has been no significant change in the consolidated financial or trading position of the Borrower and Obligor Holdco 2 (other than as set out in the Unaudited *Pro*

*Forma* Financial Information) as compared to that reflected in the Borrower's Consolidated Accounts and, in respect of each Propco (other than as set out in the Unaudited *Pro Forma* Financial Information), since the date of the audited annual accounts of each Propco for the year ended 31 December 2015.

12. The Valuer has given and has not withdrawn its written consent to, as the case may be, the inclusion in this document of its report, reference to its report and references to its name in the form and context in which they are included and has authorised the contents of those parts of the Prospectus. Furthermore, the Valuer has provided confirmation that it is not aware of any material change in any matter relating to the Properties since the date of its report which would have a significant effect on a Valuation.
13. Save as disclosed in the sections entitled, in relation to the Issuer, "*Description of certain parties – The Issuer*" and in relation to the Borrower, "*Description of certain parties – The Borrower*" in this document, neither the Issuer nor the Borrower have any outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor have the Issuer or the Borrower created any mortgages, securities charges or given any guarantees.
14. Copies of the following documents may be inspected in physical form during usual business hours on any week day (excluding Saturdays and public holidays) at the registered offices of the Issuer from the date of this Prospectus and for so long as the Notes are listed on the Irish Stock Exchange:
  - (a) the memorandum and articles of association of the Issuer;
  - (b) the constitutional documents of the Borrower, the Obligor Holdcos and the Propcos;
  - (c) copies of the execution versions of:
    - (i) the Note Trust Deed;
    - (ii) the Agency Agreement;
    - (iii) the Issuer Cash Management Agreement;
    - (iv) the Issuer Deed of Charge;
    - (v) the Issuer Account Bank Agreement; and
    - (vi) the Master Definitions Schedule;
  - (d) the Initial Valuation Report; the audited consolidated annual accounts of the Borrower in respect of the years ended 31 December 2014 and 31 December 2015; and
  - (e) the audited consolidated annual accounts of each Propco in respect of the years ended 31 December 2014 and 31 December 2015.
15. As at the date of this Prospectus, the Issuer does not have any operations other than, from the Closing Date, the issue of the Notes and the on-loan of the proceeds under the Issuer/Borrower Loans. As at the date of this Prospectus, the Borrower

does not have any operations other than its borrowings under the Bridge Facility Agreement, its indebtedness under Intra-Group Loans and, from the Closing Date, its borrowings under the Issuer/Borrower Loan Agreement.

16. The financial year end in respect of the Issuer and the Borrower and the end of the accounting period in respect of the Issuer and the Borrower is on 31 December in each year. Neither the Issuer nor the Borrower will publish interim accounts.
17. No website referred to in this Prospectus forms part of the document for the purposes of the listing of the Notes on the Irish Stock Exchange.
18. The Issuer Cash Manager will make available certain information in the form of the Issuer Cash Manager's Half Yearly Report and the Servicer's Half Yearly Report. Such information will be made available on Bloomberg L.P. (or such other information service as is notified to Noteholders from time to time) (see the section entitled "*Reports to Noteholders*" for further details).
19. Arthur Cox is acting solely in its capacity as listing agent 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.
20. Deloitte LLP, registered office 2 New Street Square, London EC4A 3BZ, is the independent auditor to the Issuer and the Obligors incorporated in England and Wales. Deloitte Audit S.à. r.l., registered office 560, rue de Neudorf, L-2220 Luxembourg, will be appointed on or about the Closing Date as the independent auditor to the Obligors established in Luxembourg.
21. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
22. The estimated expense of admission to trading on the regulated market of, and listing on, the Irish Stock Exchange is €7,000.
23. PwC Lux has given and has not withdrawn its written consent to the inclusion of its report on the *pro forma* financial information set out in the section entitled "*Unaudited Pro Forma Financial Information*", and the inclusions in this Prospectus of the references to its name in the form and context in which they appear.
24. The language of this Prospectus is English. Any foreign language text that is included with or within the document has been included for convenience purposes only and does not form part of the Prospectus.

## **Appendix 1**

### **Initial Valuation Report**

- Short form valuation report as at 30 September 2016 in relation to the Property Portfolio.

## **Report and Valuation as at 30 September 2016**

Prepared on behalf of

(1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser, hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level (including, in each case, both at a note and loan level), in connection with the Transactions; and

(2) Each successor, assignee and transferee of each person referred to above,

(Each a “Beneficiary” and together, the “Beneficiaries”).

Rose 1 Portfolio

Valuation as at 30 September 2016

28 November 2016



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## Individual Property Executive Summaries

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7.	Regents Court, Leicester
8.	The Summit, Leicester
9.	Upperton Road, Leicester
10.	Blandford Square, Newcastle-upon-Tyne
11.	Nottingham 2, Nottingham
12.	Trinity Square, Nottingham
13.	Sheffield 2, Sheffield
14.	Sheffield 3, Sheffield
15.	Snowdon Hall, Wrexham

28 November 2016

Barclays Bank plc, HSBC Bank plc and RBC Europe Limited  
As Arrangers

Dear Sirs,

**Addressee:** (1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note Purchaser, hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level (including, in each case, both at note and loan level) in connection with the Transactions; and  
(2) Each successor, assignee and transferee of each person referred to above, (Each a “Beneficiary” and together, the “Beneficiaries”).

**Transactions:** (a) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.À.R.L. under a senior issuer/borrower loan agreement, and  
(b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II Mezz Borrower S.À.R.L. under a mezzanine issuer/borrower loan agreement.

**Arranger:** Barclays Bank plc, HSBC Bank plc and RBC Europe Limited

**Borrower:** GL Europe RE Holdings S.À.R.L. and BSREP II Mezz Borrower S.À.R.L.

**Sponsor:** Brookfield Strategic Real Estate Partners II

**Properties:** Rose 1 Portfolio - 13 Student Residential Properties

**Purpose:** Portfolio Valuation as at 30 September 2016 in relation to the issuance of commercial mortgage backed notes

## **1. Section 1**

### **1.1. Terms of Instruction**

#### **1.1.1. Our appointment and valuation date**

In accordance with your letter of instruction, received on the 25 November 2016 and our reply dated 25 November 2015 (Section 2), we have valued the freehold and leasehold interests in the above properties, as at 30 September 2016.

We previously provided a full valuation report in connection with the portfolio’s acquisition, dated 19 April 2016 on the Arranger’s behalf.

We understand that the instructed valuations are required as an update valuation as at the 30 September 2016 in consideration of the issuance of commercial mortgage backed notes.

### **1.1.2. Compliance with RICS Valuation - Professional Standards 2014**

We confirm that the valuations have been prepared in accordance with the appropriate sections of the Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGAs") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2014, (the "Red Book"). It follows that the valuations are compliant with International Valuation Standards ("IVS").

### **1.1.3. Status of valuer and conflicts of interest**

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of PS 2.3.7 of the Red Book have been satisfied. We confirm that Derek Nesbitt MRICS has overall responsibility for the valuation. Finally, we confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

We further confirm that we have had previous involvement with the portfolio on behalf of Barclays Bank plc, HSBC Bank plc and RBC Capital Markets (a trading unit of RBC Europe Limited), having provided a Valuation Report for secured lending dated 19 April 2016 for the portfolio's acquisition. However, we do not consider that any conflict arises in preparing the advice requested.

### **1.1.4. Due diligence summary**

During the course of our previous Valuation Report dated 19 April 2016, we undertook internal and external inspections of all properties and our own due diligence in respect of comparable student accommodation within the student market.

For the purposes of this update valuation we have not re-inspected the properties.

During the undertaking of the previous Valuation Report dated 19 April 2016 we were provided with the following information and due diligence on which we relied.

In summary, the salient due diligence for the Valuation Report dated 19 April 2016 included the following and on which we have continued to rely for the purposes of this update valuation:

- We have undertaken external inspections of all areas of each property within the subject portfolio, together with internal inspections of each accommodation type provided and communal areas. We have assumed that the standard and quality of the bedspaces we have not internally inspected are similar to the bedspaces we gained internal access to.
- We have undertaken check measured surveys of the bedspaces inspected internally to ensure they are of a size appropriate for the student rental market and will not impact on rental values. Measurements and floor areas have been calculated in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.
- We have not undertaken condition surveys of each property inspected. We were provided with summary overviews prepared by Savills of previous Building Surveys completed by GL Hearn dated February 2016. We have reflected the contents of these reports within our valuations. You have advised that we can rely on the content of these reports for the purpose of our valuations.

- We have been provided with copies of Environmental Summary Reports prepared by Delta Simons Environmental Consultants on behalf of the portfolio Vendor at the date of acquisition by the Borrower. These were provided for each property with the exceptions of Trinity Square, Nottingham and Blandford Square, Newcastle-upon-Tyne. You have advised that we can rely on the content of these reports for the purpose of our valuations.
- We have been provided with Certificates of Title prepared by Mishcon de Reya LLP in respect of each property. We were further provided with Title Summaries and Reports on Title for each property prepared by Simmons & Simmons LLP and issued as part of the portfolio information pack by the Vendor's agents at the date of acquisition by the Borrower. We have relied on the content of these reports for the purpose of our valuations.
- We have been provided with copies of Nomination Agreements agreed with Universities which you have advised that we can rely on for the purpose of our valuations.
- We have been provided with details of the achieved rents for the 2015/16 academic year for each property within the portfolio, together with details of void bedspaces, rental incentives offered, bad debt costs, additional incomes, and operating costs.

The Borrower has provided updated property information in relation to the following and on which we have relied in providing our opinions of Market Value:

- We have been provided with details of the advertised tenancy lengths and quoting gross rents by bedspace type for each scheme by the Borrower for the 2016/17 academic year. The Borrower has further provided details of achieved bedspace lettings at each scheme as at the valuation date. For the purposes of our valuations, where bedspaces were unlet at the date of valuation, we have assumed that these will be let at the advertised tenancy lengths and quoting gross rents. Where the same bedspace types are offered on different tenancy lengths at the individual properties, we have further assumed that any unlet bedspaces will be let on the same ratio of tenancy lengths as already agreed at the date of valuation.
- We have been provided with forecast additional incomes achievable from each property from Summer/extended tenancies, onsite laundries, non-refundable utility deposits (Leicester properties only), and other sources.
- We have been provided with forecast operational costs for each property. We have reviewed and benchmarked these against our knowledge and experience of other similar scale student operators within the market. Our assessment of the management and operation costs at each scheme is on the basis of a similarly established alternative student operator with a national presence and student operational platform, without separately instructed facilities management. We have assumed that an alternative operator would have a similar management platform and website marketing tool and would not require additional third party contracts to enable the operation and management of the schemes.
- Where our analysis of the provided operating costs for schemes identify the costs per bedspace are at a low or high cost compared to market benchmarks, particularly in relation to the cost of utilities, security/staffing provisions, etc due to the manner in which the Vendor currently manages and operates the respective properties, we have made the assumption that an alternative operator would be able to make the same cost savings/require additional costs per bedspace to effectively operate.

- Where properties have a shared management/security provision due to proximity of schemes to each other, we have assumed that an alternative operator would adopt a similar management strategy.
- We have been provided with a copy of a letter prepared by PricewaterhouseCoopers LLP (PwC) dated 9 September 2016 on behalf of the Borrower and the Banks, which details the eligibility of each property for Stamp Duty Land Tax (SDLT) savings under the application of Multiple Dwelling Relief (MDR). Our opinions of Market Value are provided on the basis of the advice provided by PwC. We note however that should the ability of each property to achieve MDR differ from the advised PwC opinions, we should be advised immediately and requested to revisit our valuations and assumptions.

We have made the Assumption that the information provided by the Borrower in respect of all the individual properties to be valued within the subject portfolio is both full and correct as at the date of valuation.

If any of the information provided and on which we have relied is found to be incorrect or lacking, we reserve the right to revisit our valuations now provided.

## 1.2. Portfolio Overview

### 1.2.1. Location

The subject portfolio provides a portfolio of 13 student residential schemes located within major university cities throughout England together with a single asset located in Wrexham, Wales.



The focus of the portfolio is situated within Leicester where 7 properties are located, with the remaining 6 properties spread between 4 regional university cities.

The properties are located as follows:

University City	Scheme	Address
<b>Nottingham</b>	Trinity Square	North Church Street, Nottingham, NG1 4BR
	Nottingham 2	Midland Way, Nottingham, NG7 3EH
<b>Sheffield</b>	Sheffield 2	Edward Street / Kenyon Street / Solly Street Sheffield, S3 7BU
	Sheffield 3	80 Hoyle Street, Sheffield, S3 7LG
<b>Leicester</b>	Brookland Road Apartments	Brookland Road, Leicester, LE2 6BH
	Eastern Boulevard	70 Eastern Boulevard, Leicester, LE2 7JD
	Newarke Street Apartments	28 Oxford Street, Leicester, LE1 5UX
	Queens Court	85 Jarrom Street, Leicester, LE2 7DJ
	Regents Court	35 Rawson Street, Leicester, LE1 6TB
	The Summit	100 Eastern Boulevard, Leicester, LE2 7JD
	Upperton Road	2 Upperton Road, Leicester, LE3 0BG
<b>Newcastle-upon-Tyne</b>	Newcastle 1	Newcastle 1, Newcastle, NE1 4HZ
<b>Wrexham</b>	Snowdon Hall	Vicarage Hill, Wrexham, Clwyd, LL13 7HN

Each of the city locations, with the exception of Wrexham, provides an established key student market within the UK where student populations are significant and which drives demand for student accommodation.

Cushman & Wakefield tracks and monitors all purpose-built student accommodation throughout the UK. Below we provide a brief overview of the total purpose-built student bedspace numbers within each city location, together with the respective calculated Student Bedspace Ratios (SBRs) based on the latest available 2014/15 HESA data and demand pool of students within the city.

University City	Total Number of Purpose-Built Student Bedspaces	Student : Bed Ratio
<b>Nottingham</b>	20,663	1.8 : 1
<b>Sheffield</b>	19,793	2.0 : 1
<b>Leicester</b>	15,796	1.5 : 1
<b>Newcastle-upon-Tyne</b>	15,776	2.1 : 1
<b>Wrexham</b>	707	2.1 : 1

The demand pool of students within each city is calculated taking into account the university and private sector supply of accommodation, and latest HESA student number data (2014/15) (excluding students who are unlikely to demand accommodation in each City).

By way of comparison C&W's calculation of the nationally observed average student:bed ratio is 2.1:1.

We note however that the SBR is based on the latest available 2014/15 HESA data and therefore may not truly reflect current demand levels.

Based on the above analysis, demand for student accommodation within each city location is therefore considered to be reasonable.

### 1.2.2. Tenure

The portfolio comprises 13 individual properties which each providing operational student residential schemes.

We have previously been provided with Certificates of Title prepared by Mishcon de Reya LLP in respect of each property and additional Title Summaries and Reports on Title for each property prepared by Simmons & Simmons LLP. We have continued to rely on the content of these reports for the purpose of our valuations.

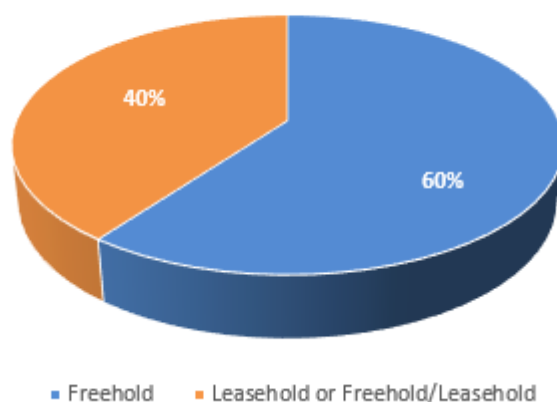
The properties are held on a mixture of freehold and leasehold tenures. The breakdown of the individual advised property tenures are as follows:

Scheme	Tenure	Comments
Brookland Road Apartments, Leicester	Freehold	• Held under 3x separate titles.
Eastern Boulevard, Leicester	Freehold	
Newarke Street Apartments, Leicester	Freehold	• Held under 3x separate titles.
Queens Court, Leicester	Freehold	
Regents Court, Leicester	Freehold	
The Summit, Leicester	Freehold	
Upperton Road, Leicester	Freehold / Leasehold	<ul style="list-style-type: none"> <li>• Held under 3x separate freehold titles and 1x leasehold title.</li> <li>• Communal/management accommodation held long leasehold for term of 999 years from February 2015 at a Peppercorn rent.</li> </ul>
Newcastle 1, Newcastle-upon-Tyne	Freehold	
Nottingham 2, Nottingham	Freehold	• Held under 10x separate titles.
Trinity Square, Nottingham	Leasehold	<ul style="list-style-type: none"> <li>• Held under 2x separate titles relating to the North Block and South Block</li> <li>• Each lease for a term of 125 years from 24 June 2008 (expiring 23 June 2133), each at a Peppercorn rent.</li> </ul>

Scheme	Tenure	Comments
Sheffield 2, Sheffield	Freehold	<ul style="list-style-type: none"> <li>Held under 8x separate titles relating to each block.</li> </ul>
Sheffield 3, Sheffield	Freehold / Leasehold	<ul style="list-style-type: none"> <li>Held under 4x freehold titles and 4x leasehold titles.</li> </ul>
Snowdon Hall, Wrexham	Freehold	

The freehold and leasehold or part freehold/part leasehold tenures within the subject portfolio account for approximately 60% and 40% by value respectively of the total portfolio valuation, as illustrated below:

Split of Portfolio Value By Tenure



### 1.2.3. University & Education Provider Agreements

Formal agreements with universities and education providers in the form of Nomination or Referral Agreements are in place at four properties for the 2016/17 academic year as follows:

Scheme	2016/17 Nominated Bedspaces	University / Education Provider	2016/17 Nomination Terms
Nottingham 2, Nottingham	36	Unilodgers	1 year Agreement
Trinity Square, Nottingham	33	Unilodgers	1 year Agreement
Sheffield 2, Sheffield	13	Unilodgers	1 year Agreement
	113	6APT	1 year Agreement with rental guarantee.
Sheffield 3, Sheffield	395	University of Sheffield	1 year Agreement with rental guarantee on void nominated beds.
	7	Unilodgers	1 year Agreement
<b>Total</b>	<b>597</b>		



### 1.2.4. Bedspace Profile

The subject portfolio comprises a total of 5,684 student bedspaces which are let to students on standard Assured Shorthold Tenancy Agreements (ASTs) for a range of letting terms of predominantly between 37 weeks and 51 weeks, with some bedspaces at schemes let on shorter semester tenancies.

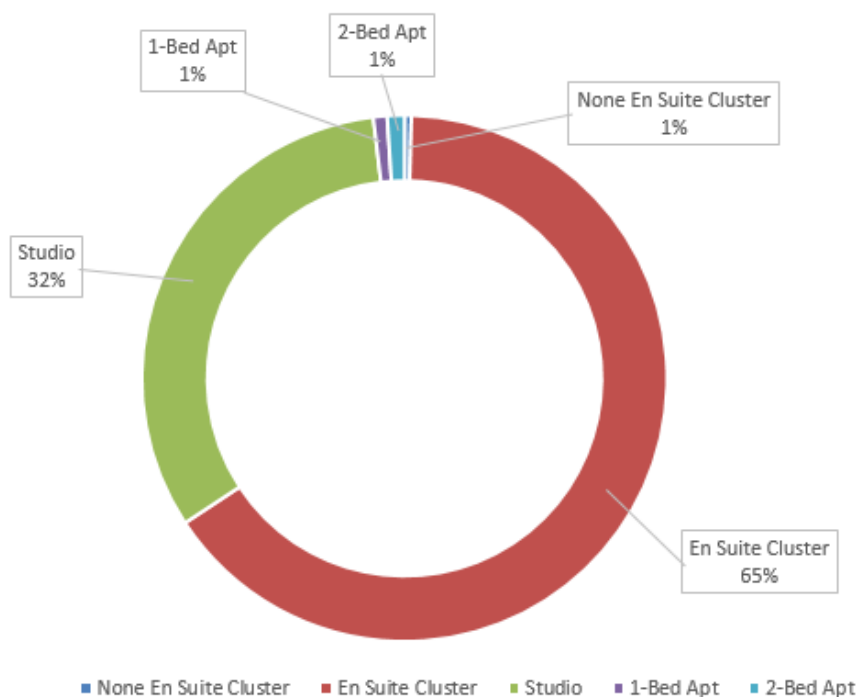
The majority of properties within the portfolio are operated on a direct-let basis, accounting for 89.5% of accommodation (5,087 bedspaces) for the 2016/17 academic year.

The formal agreements with universities and education providers (as detailed above) for the 2016/17 academic year account for the remaining 10.5% of accommodation (597 bedspaces).

The breakdown of accommodation is summarised as follows:

Scheme	Total Bedspaces	Bedspaces Under Agreements	Direct Let Bedspaces
Brookland Road Apartments, Leicester	255	-	255
Eastern Boulevard, Leicester	80	-	80
Newarke Street Apartments, Leicester	284	-	284
Queens Court, Leicester	143	-	143
Regents Court, Leicester	182	-	182
The Summit, Leicester	369	-	369
Upperton Road, Leicester	536	-	536
Newcastle 1, Newcastle-upon-Tyne	371	-	371
Nottingham 2, Nottingham	1,096	36	1,060
Trinity Square, Nottingham	700	33	667
Sheffield 2, Sheffield	520	126	394
Sheffield 3, Sheffield	992	402	590
Snowdon Hall, Wrexham	156	-	156
<b>Total</b>	<b>5,684</b>	<b>597</b>	<b>5,087</b>

The breakdown of room type across the portfolio is shown below:



### 1.2.5. 2016/17 Academic Year Income Profile

#### Gross Aggregate Bedspace Rent

We have been provided with details of the advertised tenancy lengths and quoting gross rents by bedspace type for each scheme by the Borrower for the 2016/17 academic year.

The Borrower has further provided details of achieved bedspace lettings at each scheme as at the valuation date. For the purposes of our valuations, where bedspaces were unlet at the date of valuation, we have assumed that these will be let at the advertised tenancy lengths and quoting gross rents.

Where the same bedspace types are offered on different tenancy lengths at the individual properties, we have further assumed that any unlet bedspaces will be let on the same ratio of tenancy lengths as already agreed at the date of valuation.

We note that for Eastern Boulevard, Leicester and Upperton Road, Leicester the actual advised 2016/17 tenancy terms differ from those as advised at the date of portfolio acquisition.

At Eastern Boulevard, we were previously advised by the Borrower that all bedspaces would continue to be let on 48 week tenancies for the 2016/17 academic year (as per 2015/16 academic year). The advised actual 2016/17 achieved lettings have however been on a mix of 46 and 48 week terms, with approximately 20% of bedspaces (16x en suite bedspaces) let on the shorter tenancy lengths. We are advised by the Borrower that all bedspaces will again be let on 48 week tenancies for the 2017/18 academic year onwards.

At Upperton Road, the Borrower previously advised that all bedspaces would be let on 51 week tenancies for the 2016/17 academic year, an amendment from the 46 and 51 week tenancies achieved for the 2015/16 academic year. Again, the advised actual achieved lettings have been on a mix of 46 and 48 week terms across each unit type. We are again advised by the Borrower that all bedspaces will be let on 48 week tenancies for the 2017/18 academic year onwards.

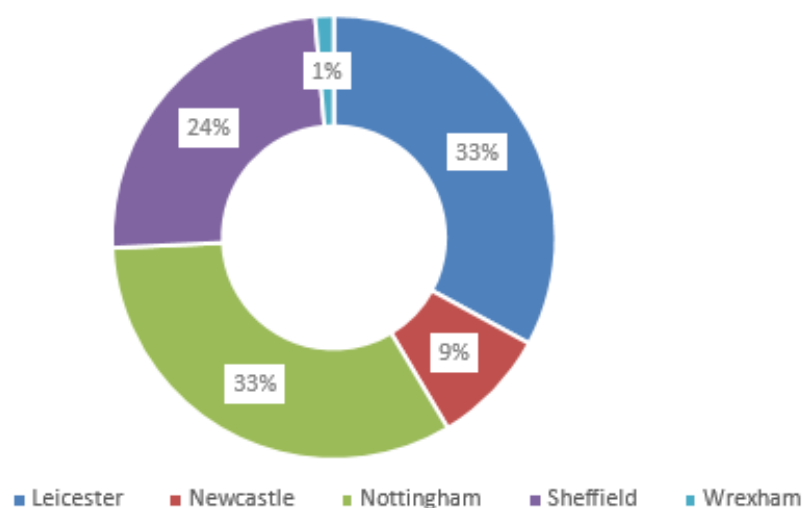
We have therefore reflected the above advised tenancy lengths within our valuations.

Our calculation of the portfolio gross aggregate rent totals **c.£32,821,115 per annum**, assuming 100% occupancy as follows:

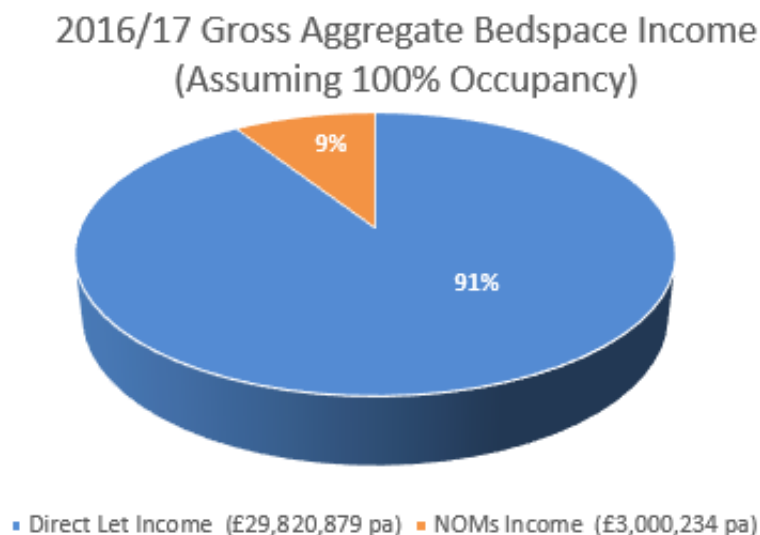
Scheme	Bedspaces	Tenancy Length (Weeks)	2016/17 Gross Aggregate Rent (£)
Brookland Road Apartments, Leicester	255	48	£1,557,504
Eastern Boulevard, Leicester	80	46 - 48	£482,688
Newarke Street Apartments, Leicester	284	48	£1,764,768
Queens Court, Leicester	143	48	£592,704
Regents Court, Leicester	182	48	£790,176
The Summit, Leicester	369	48	£2,429,328
Upperton Road, Leicester	536	46 - 48	£3,186,950
Newcastle 1, Newcastle-upon-Tyne	371	44 - 51	£2,790,219
Nottingham 2, Nottingham	1,096	44 - 51	£6,550,764
Trinity Square, Nottingham	700	46 - 51	£4,224,907
Sheffield 2, Sheffield	520	48	£2,619,888
Sheffield 3, Sheffield	992	42 - 51	£5,384,430
Snowdon Hall, Wrexham	156	37 - 51	£446,787
<b>Total</b>	<b>5,684</b>		<b>£32,821,113</b>

The split of 2016/17 achievable gross income across the 5 university cities is as follows:

**2016/17 Gross Aggregate Bedspace Income**  
(Assuming 100% Occupancy)



Our calculated portfolio gross aggregate income for the 2016/17 academic year is split between direct-let bedspaces and nominated bedspaces as follows:



#### **Voids, Bad Debt & Incentive Costs**

We are advised by the Borrower that the portfolio operated at approximately 98.7% occupancy for the 2015/16 academic year.

We understand that the void occupancy experienced during the 2015/16 academic year solely related to 73 bedspaces at Newcastle 1 (scheme occupancy of 80%) as a result of the delayed completion of the scheme for the commencement of the academic year.

As at the date of valuation we are advised that the portfolio is operating at **99.4% occupancy** for the 2016/17 academic year whereby students have signed tenancy agreements and are contractually committed to paying the rent for the contracted period.

A summary of the achieved 2016/17 lettings as at the date of valuation is shown below:

Scheme	2016/17 Available Beds	2016/17 Booked Beds	Occupancy (%)
Brookland Road Apartments, Leicester	255	255	100%
Eastern Boulevard, Leicester	80	80	100%
Newarke Street Apartments, Leicester	284	284	100%
Queens Court, Leicester	143	143	100%
Regents Court, Leicester	182	182	100%
The Summit, Leicester	369	369	100%
Upperton Road, Leicester	536	536	100%
Newcastle 1, Newcastle-upon-Tyne	371	339	91.4%
Nottingham 2, Nottingham	1,096	1,096	100%

Scheme	2016/17 Available Beds	2016/17 Booked Beds	Occupancy (%)
Trinity Square, Nottingham	700	700	100%
Sheffield 2, Sheffield	520	520	100%
Sheffield 3, Sheffield	992	992	100%
Snowdon Hall, Wrexham	156	156	100%
<b>Total</b>	<b>5,684</b>	<b>5,652</b>	<b>99.4%</b>

We are advised by the Borrower that the actual portfolio costs for voids, bad debts and discounts/incentives totalled £824,000 for the 2015/16 academic year, equating to approximately **2.94%** of the portfolio's gross direct-let rental income (£28,023,067 assuming 100% occupancy).

For the 2016/17 academic year, given the projected nature of the bad debt and incentive costs, within our valuations we have applied an 'all-in' standard market assumptions for voids, bad debts and incentives of **2.00%** of gross direct-let bedspace rental income for all properties with the exception of Snowdon Hall, Wrexham where an allowance of **5.00%** of gross direct-let bedspace rentals reflective of the weaker student market.

We have not included any voids, bad debts and incentives allowances to nominated bedspace incomes.

Our calculation of the expected 2016/17 academic year voids, bad debts and discounts/incentives therefore totals c.£610,000 and equates to an overall portfolio allowance of **c.2.04%** against our calculated portfolio gross direct-let rental income (£29,820,879 assuming 100% occupancy).

### Additional Incomes

Additional incomes are achieved across the portfolio from a variety of sources including Summer lettings, extended leases and short stay visitors together with sundry incomes derived from the onsite laundries and utilities bonds (Leicester properties only).

Whilst this income only forms a small element of the overall portfolio annual income, we have assumed that this level of income would be achieved by an alternative operator of the portfolio, or the relevant proportion of this income would be achieved on an individual property basis.

The Borrower has provided a breakdown of the forecast additional incomes for the 2016/17 academic year which total **c.£958,165** as follows:

### Summer Incomes & Extended Tenancies

Summer income is limited to the larger properties within the portfolio where shorter term lets are achieved to students, allowing re-letting of bedspaces during this period.

The provided expectations of Summer incomes have been calculated by the Borrower based on historical experience at each scheme. The aggregate forecast 2016/17 Summer income totals **c.£255,000**.

We are advised by the Borrower that 'one-off' Summer income was achieved at three Leicester properties, which would not normally be available having regard to the tenancy lengths operated at each of the

schemes. These related to 47 bedspaces at Newarke Street Apartments; 5 bedspaces at The Summit; and 105 bedspaces at Upperton Road being let to overseas students with a total additional income of £225,399.

For the purposes of our valuations, and having regard to the length of tenancies at each scheme (48 weeks), we have not allowed for additional Summer income at these properties for the 2016/17 academic year within our valuations.

### Laundry Incomes

Laundries are provided throughout the portfolio with the exception of the Leicester properties where facilities are only provided at The Summit and Upperton Road. The facilities are owned and operated in partnership with the Borrower by Circuit. Any incomes from the facilities is shared between the parties on a 50:50 basis.

For the 2016/17 academic year, the Borrower has advised that the laundry income for the portfolio as a whole is forecast to total c.**£156,840** which equates to an average spend of c.£27.60 per bedspace per annum.

### Utilities Bonds (Leicester Properties Only)

Tenants in the Leicester properties are required to pay an upfront Utility Bond on signing their tenancy agreement and which relates to electricity contributions.

Current utility bonds across the properties are £295 per bedspace, with a total aggregate income of **£545,455** for the 2016/17 academic year.

The split of forecast 2016/17 incomes across the portfolio is as follows:

Scheme	Summer Incomes	Utilities Bonds	Laundry Incomes	Total Income
Brookland Road Apartments, Leicester		£75,225		£75,225
Eastern Boulevard, Leicester		£23,600		£23,600
Newarke Street Apartments, Leicester		£83,780		£83,780
Queens Court, Leicester		£42,185		£42,185
Regents Court, Leicester		£53,690		£53,690
The Summit, Leicester		£108,855	£10,440	£119,295
Upperton Road, Leicester		£158,120	£6,515	£164,635
Newcastle 1, Newcastle-upon-Tyne	£20,874		£14,658	£35,532
Nottingham 2, Nottingham	£50,000		£56,681	£106,681
Trinity Square, Nottingham	£30,000		£34,090	£64,090
Sheffield 2, Sheffield	0		£11,223	£11,223
Sheffield 3, Sheffield	£115,000		£22,185	£137,185
Snowdon Hall, Wrexham	£40,000		£1,044	£41,044

Scheme	Summer Incomes	Utilities Bonds	Laundry Incomes	Total Income
Total	£255,874	£545,455	£156,836	£958,165

### 2016/17 Adjusted Gross Aggregate Income

On the basis of the above we have calculated the portfolio's gross aggregate rent for the 2016/17 academic year, after allowances for voids, bad debts and incentives and inclusion of additional incomes, to total approximately **£33,169,460 per annum**, calculated as follows:

	Total Aggregate Bedspace Income (£)	Voids, Bad Debt & Incentives (£)	Additional Incomes (£)	Total Aggregate Income (£)
Portfolio of 13 Student Schemes	£32,821,113	-£609,822	£958,165	£33,169,456

We provide a breakdown of the individual property 2016/17 gross rents; allowances for voids, bad debts and incentives; and additional incomes at the end of this report section (Section 1).

### Operating Costs

We have been provided with details of the forecast annual operating costs for each property within the subject portfolio by the Borrower. These total approximately **£8,726,640 per annum** for the 2016/17 academic year, equating to an average operating cost per bedspace of £1,535 per bed per annum.

Each property is operated under a Facilities Management Agreement, with Derwent Living being the current FM provider for each scheme across the portfolio.

We have benchmarked the above forecast portfolio operating costs against a wide range of operational costs from other schemes which provide a mix of standard cluster en-suite bedspaces and studios for the 2013/14, 2014/15 and 2015/16.

The costs incurred by national private student accommodation operators are at schemes within major university cities with the range of sample totalling c.24,000 bed spaces within purpose-built schemes. Each operator has an existing Head Office Platform in place.

Within the sample of comparable operating costs these generally fall in the range including studio schemes of £1,300 - £2,600 per annum per bedspace, with the upper end of this range being for studio schemes or schemes in London where operating costs include a provision for some sinking fund and long term maintenance.

The average operating cost per bedspace across the full sample of bedspaces totals £1,452 per bed as at the 2013/14 academic year. Allowing for the cost of inflation of 2.50% per annum, increases this average cost to £1,488 per bed for the 2014/15 academic year, and to £1,525 per bed for the 2015/16 academic year.

The range of comparable operating costs equate to between 21% and 42% of the respective scheme's gross aggregate rent, with the average operating cost of these student schemes equating to approximately 33% of the average gross rental income from the schemes at this time.

Adjusting these average bedspace operational cost figures to take account of the extremities of the higher and lower costs per head of cost within the sample provides an average operating cost per bedspace across the full sample of c.£1,658 per bed for the 2015/16 academic year (after allowing for the cost of inflation of 2.50% per annum). The adjusted average operating cost equates to approximately 35% of the average gross rental income.

The costs advised by the Borrower for the subject portfolio therefore appear appropriate for the student market when compared to the comparable operational costs detailed above. We would therefore expect another market operator to be able to proactively manage and operate the properties within the subject portfolio at the level of operating costs advised with their own marketing and management platform.

### Net Rental Income 2016/17

In order to calculate the net rent position of the portfolio, the gross aggregate student incomes need to be adjusted to reflect the relevant scheme operating costs.

Our calculation of the total net income for the subject portfolio for the 2016/17 academic year, therefore totals approximately:

<b>£24,440,000</b>	<b>(Twenty Four Million Four Hundred &amp; Forty Thousand Pounds per annum)</b>
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We provide a breakdown of the individual property 2016/17 net rents after allowances for voids, bad debts and incentives; additional incomes; and operating costs at the end of this report section (Section 1).

### 1.2.6. Commercial Accommodation

The following properties within the subject portfolio additionally include small elements of commercial accommodation which have predominantly been sold on a long leasehold basis.

Sheffield 3 provides an element of office accommodation let to the University of Sheffield and operated as their English Language Teaching Centre (ELTC).

We provide details of each element of commercial accommodation below:

Scheme	Description	Lease Terms	Gross Passing Rent (£)
Upperton Road, Leicester	Supermarket and Car Park	999 year long lease to Lidl UK GMBH.	Peppercorn
Nottingham 2, Nottingham	3x Retail Units	Each on long leaseholds at a peppercorn rent. Tenants include Lidl, Dominos, Greggs and Wok & Go	Peppercorn
Sheffield 2, Sheffield	1x Shell Retail Unit	Vacant	£0
Sheffield 3, Sheffield	Office Accommodation	10 year lease to University of Sheffield from 2 Nov. 2009 at £265,000 pa. Additional £100,000 service charge income pa (service charge costs included in Student element opex costs).	£365,000
<b>Total</b>			<b>£365,000</b>



The commercial elements of the portfolio therefore have a gross aggregate passing rent of **£365,000 per annum**.

### 1.3. National Student Market Commentary

The Student Accommodation Sector is maturing and should no longer be regarded as an easy win. There are still many opportunities and the UK Higher Education sector remains strong, but land owners, operators and investors need to give careful consideration to individual markets and locations to ensure success.

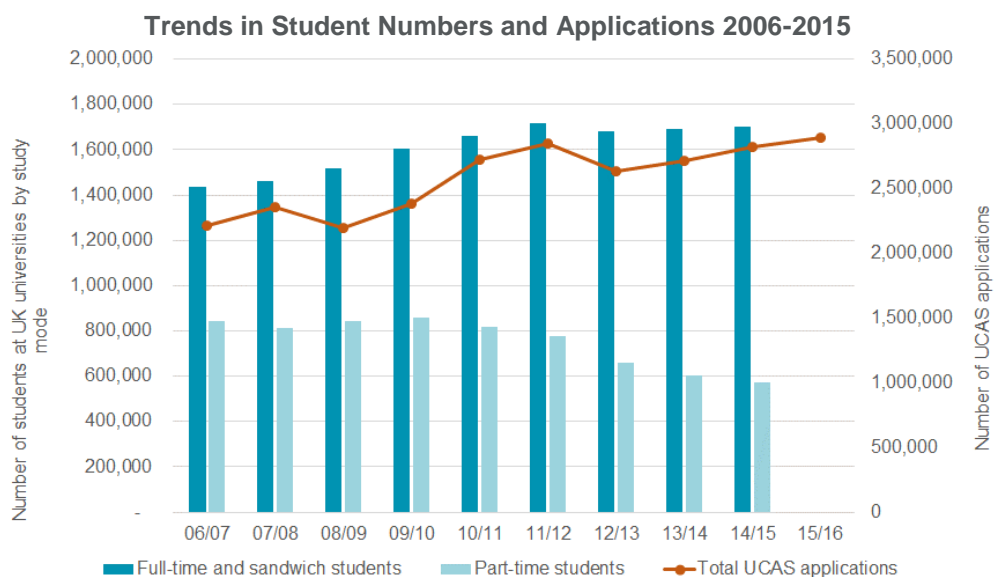
#### 1.3.1. Underlying Student Demand

Based on the most recent 2014/15 HESA data, there is very positive evidence at undergraduate level that demand for HE has recovered after a dip in student numbers in 2012/13, when tuition fees of £9,000 were introduced at most universities. However, growth in student numbers has slowed down slightly in comparison to the previous year and is weaker than the levels experienced prior to the 2012/13 fee increase.

Full-time student numbers reached 1.697 million in 2014/15, up by 1% from 2012/13 and exceeding 2010/11 numbers. Full-time students constitute the core of the market and are the cohort that continues to grow. Cushman & Wakefield's understanding is that this has been driven by students taking the decision to go to university more seriously than ever before. Expectations are rising, and the questions about what "value for money" really looks like in the world of HE are coming to the fore.

#### 1.3.2. Trends in Student Numbers and Applications at UK Universities

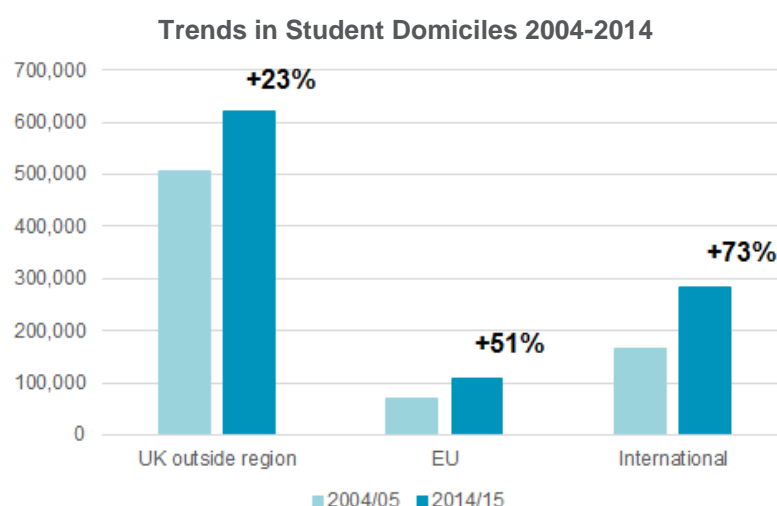
Looking at UCAS applications, demand for HE shows a positive trajectory over recent years, although growth in application numbers was lower in 2015 (2% year on year) compared to each of the previous two years (3% in 2013 and 4% in 2014). Based on applications, Cushman & Wakefield expect HESA student numbers for 2015 to have grown at a rate of between 0% and 1%. UCAS applications increased on average by 3% per year from 2012 to 2015. Early indications for 2016 are that application numbers are holding at the same level as 2015, which was the largest intake of undergraduates ever and, if true, will see universities naturally expanding in size.



Despite two tuition fee increases within a time span of just six years, full-time student numbers have not been profoundly affected to date. Interestingly and contrary to some expectations, increases in the cost of HE have resulted in more UK students studying away from their home region than ever before. In 2014/15, over 621,000 UK students studied at a university outside their domicile region, accounting for 48% of all UK students and reflecting an increase in numbers of 23% on 2004 figures.

This appears to be a result of a more direct decision to make a return on investment in education than ever before. Students are choosing to go to universities with better employability records and credibility in order to maximise their attractiveness in the labour market. Equally, students are choosing institutions more carefully in terms of the student experience, so that their time studying is enriching and enjoyable. Crucially, part of the investment in HE, alongside choosing the best possible university, now seems to extend to choosing a quality residential experience that will support their academic and social experience.

Overall, students on full-time courses studying outside their home region counted 1,013,000 in 2014/15 including EU and international students. Many UK universities have been successful in attracting increasing numbers of EU and international students, growing by 51% and 73% respectively from 2004/05 to 2014/15. This is very positive in terms of demand for PBSA as these student groups generally constitute the core demand pool for student accommodation. However, growth has slowed down over recent years for both EU and international student domiciles which is reflected in a 1% increase from 2013 to 2014 (down from 8% and 12% respectively in 2009).



Source: HESA data 2004-2014

### 1.3.3. University Competitiveness

Universities are operating in an increasingly competitive market. With the shift in financial sources towards tuition fee income and away from public funding, student recruitment has become an even more important strategic focus of university activity. With the cessation of student number controls in 2015, there are predicted to be around 100,000 additional university places by 2035.

The UCAS undergraduate entry system has also been amended, with students now able to “trade up” and move within the entry system with greater ease. This means that university recruitment – a world that used to be stable and quota driven – is now becoming far less predictable.

With students looking to get to the best possible institution, and with more choice than ever, successful and fleet-of-foot universities are able to fulfil their strategic ambitions. However, this inevitably means that some

institutions will be left behind. This has implications for the universities themselves, but also for those who invest in and around them.

In this new world, the universities who are likely to do best can bring together a whole host of positive attributes that can be demonstrated to students – and to their partners and stakeholders.

The demands on universities are greater than they have ever been. The quality and modernity of their academic and residential facilities, and a definable distinctive vision and ability to convert and please their students are all key in recruitment and securing outcomes. This has led to huge capital investment into academic and residential facilities on campus.

In general, long term demand for a highly qualified and skilled workforce as well as demonstrably better long term career outcomes and earnings potential for university graduates, will continue to be main drivers of demand for HE.

#### Key Questions:

- How will the university “winners and losers” continue to pan out following the removal of student number controls?
- To what extent will the White Paper drive market forces in HE, and in how far will individual universities be affected?
- UK universities have adopted similar strategies for growth. Is the continued targeting of international and postgraduate students sustainable?
- Demand for postgraduate study appears to be in decline. Will new £10,000 postgraduate loans available from 2016/17 help strengthen demand?
- Can the UK continue to remain attractive in the global HE market with tuition fees being some of the most expensive in the world? UK immigration policy will also have a significant bearing on this issue in the future, and the consequences of Brexit upon recruitment and funding streams is yet to be known.
- How will the CSR and Nurse Review change the policy landscape?
- Will we see better take up of Higher Apprenticeships which have the potential to catalyse recruitment and workplace training?

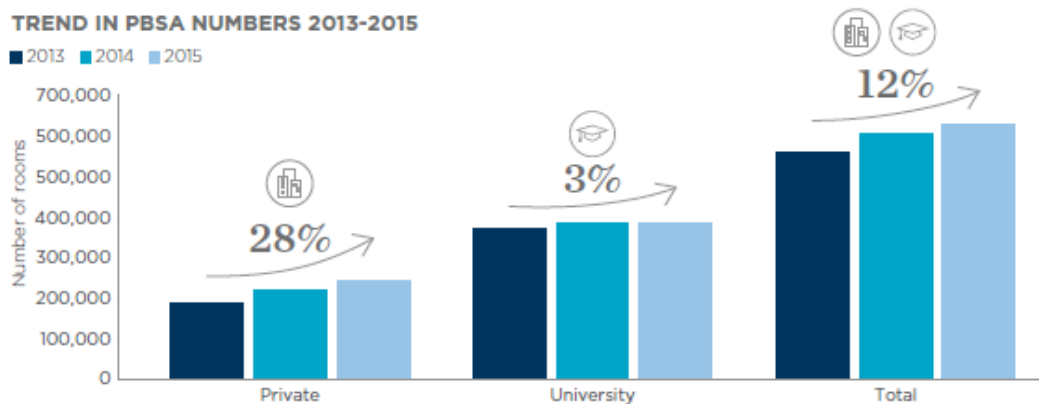
#### 1.3.4. Supply of PBSA

The Cushman & Wakefield UK Student Accommodation Tracker records a peak of over 539,200 PBSA bed spaces in 2015 – up by 19,300 since 2014. The private sector has grown by 10% between 2014 and 2015, with studio bed spaces up 41% in just one year (2014 -2015).

At a time when the HE sector has been experiencing such seismic changes, investors in student accommodation have been experiencing seismic changes of their own.

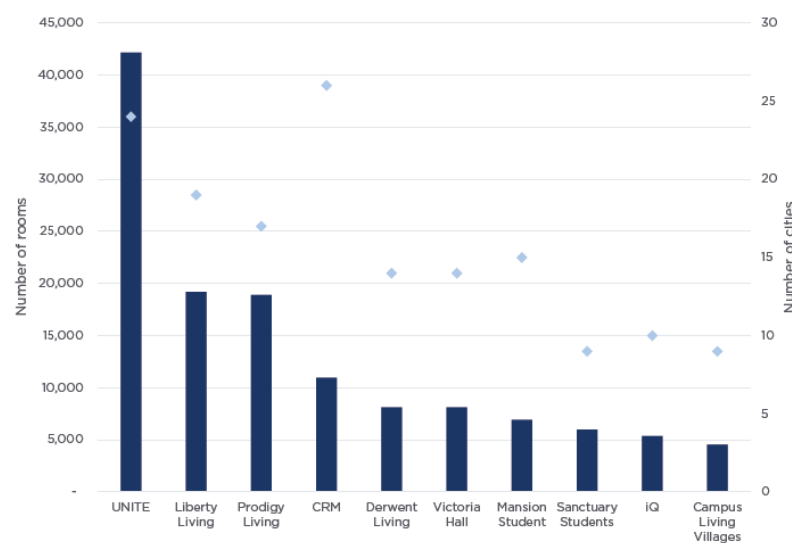
Bed spaces in the private sector grew by 28% from 2013 to 2015. There has been significant development of studio type rooms, increasing by 41% in just one year (2014-2015). Room numbers are likely to continue

to increase due to the large pipeline of private sector planning applications and approvals across the sector, as well as significant plans by universities to invest in their accommodation portfolios.



The Top 10 private operators in terms of bed spaces account for nearly two thirds of total bed spaces (62%). Among these, Unite is by far the largest player with more than double the amount of rooms than the closest competitor Liberty Living (42,000 vs 19,000). In total there are now more than 200 private operators active in the market in 2015.

#### TOP 10 PRIVATE SECTOR OPERATORS BY NUMBER OF ROOMS 2015



There are variations in the number of rooms in each city and city coverage according to each company's strategic approach.

Due to the growing maturity of the student accommodation market, developers, operators and investors are increasingly considering niche markets both in terms of location as well as innovative product design such as "twodios" and townhouses in order to expand their businesses. Strong branding and marketing are key in ensuring that potential customers, and their parents, are able to access the offering. There is also a huge amount of focus on improving social spaces for example, private dining rooms, cinema and games rooms and spaces for private study.

Students are increasingly working, interacting with social media, and socialising with their friends and flatmates simultaneously.

As some universities are reaping the rewards of the removal of student number controls, there are some larger and seemingly mature markets which are again undersupplied, for example Manchester.

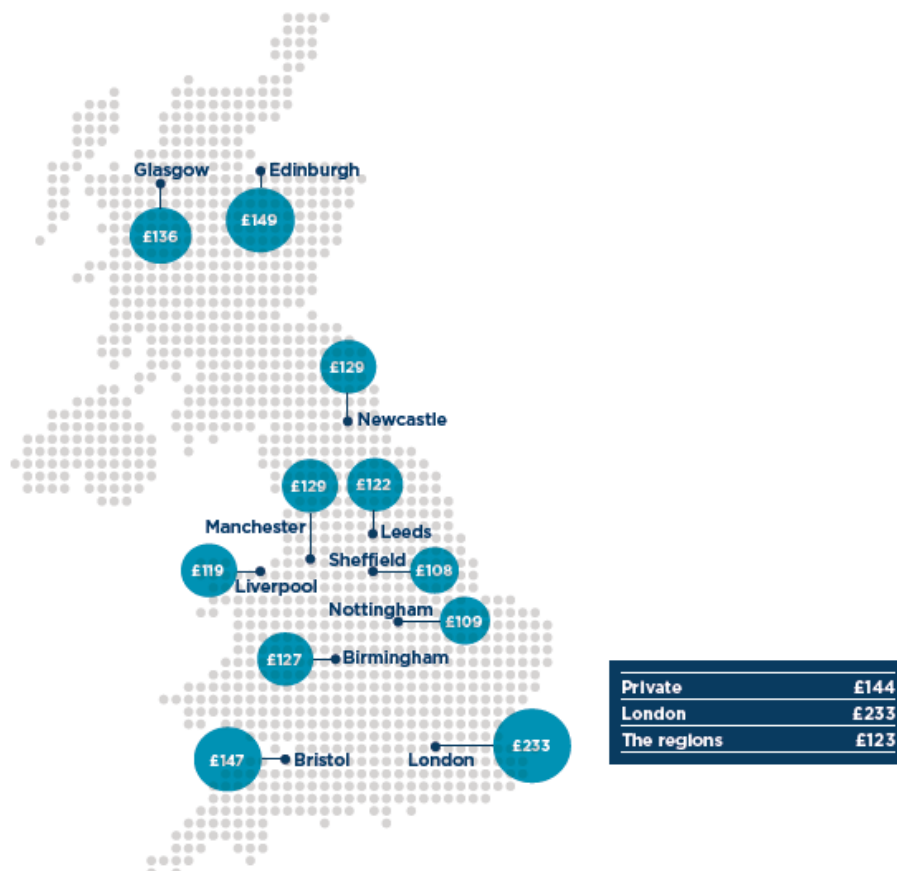
Rental growth in 2015 on the previous year was 6% on average across all purpose-built accommodation available this year. But this is not the full story as large differentials have developed between cities.

- The average rent of privately supplied stock has increased by 7%, whilst university provided accommodation increased by 3%.
- Average studio rents in the private sector are up by 3% while cluster flats have achieved an average 6% increase.

The increases in the average price of rooms has spiralled in certain locations due to the development of a large number of expensive studios, especially in smaller or relatively undersupplied markets.

But there have been losers too, with some cities only experiencing minimal single digit growth. The occupational market will take some time to absorb these differentials as will the development and investment market. There is already some concern over occupancy levels in some cities and certain types of accommodation, particularly studios.

#### AVERAGE RENTS 2015 PRIVATE SECTOR



**Key Questions:**

- How will the university “winners and losers” continue to pan out following the removal of student number controls?
- Will the continued pace of development activity and student affordability issues result in lower occupancy levels and an easing of rental growth?
- Can we expect a cooling in the volume of studios being delivered?
- Will we see more third party operating partners entering the market?
- What will the fourth and fifth generation PBSA assets look like?

**1.4. Student Investment Market**

Following its greater acceptance as an alternative property asset class, the characteristics of the student accommodation sector are now becoming more aligned with the fundamentals of the main stream commercial investment market. Location, obsolescence, occupier demand, running costs, development pipeline and rental growth have always been critical to the appraisal and valuation process. However, the greater involvement of the private sector and the transfer of income/cost risk from HEIs to investors without a supporting lease or nomination agreements have reinforced the importance of these basic drivers of value, especially for direct let student accommodation opportunities.

Investment activity in the UK student accommodation sector has increased from an average of £250 million per annum between 2005 and 2009 to around £2.7 billion in 2014. However, 2015 was, by some distance, a record year with investment transactions reaching c.£6 billion.

Portfolio sales have dominated the market in 2015 and so far in 2016. Major portfolio sales have been triggered by a range of factors including investor redemption pressures, profit taking and portfolio reconstruction. Those acquiring have been new entrants looking to gain a foothold in the UK market or increase critical mass and others trying to reinvest new capital.

PROPERTY	TOWN	BED SPACES	PRICE	PURCHASER
Brandeaux / Liberty Living Portfolio	UK	16,748	£1,100,000,000	Canada Pension Plan Investment Board (CPPIB)
The Nido Portfolio	London	2,521	£600,000,000	Greystar Real Estate Partners
Westbourne Portfolio	UK	5,867	£540,000,000	Greystar Real Estate Partners
Pure Student Living Portfolio	London	2,150	£532,000,000	LetterOne Treasury Services
Student Castle Portfolio	UK	2,153	£330,000,000	CPPIB Liberty Living
Ahli United Bank Portfolio	UK	2,100	£271,000,000	Unite UK Student Accommodation Fund (USAF)
Assam Place	London	346	£110,000,000	Greystar Real Estate Partners
Paul Street	London	456	£108,600,000	Apache Capital
Union Portfolio	UK	839	£83,000,000	LetterOne Treasury Services
ISL	London	347	£70,000,000	Round Hill Capital

In addition to the above the sales of Dartmoor Capital's Ardent Portfolio to Mapletree and Brookfield's acquisition of Avenue Capital's Project Rose portfolio in early 2016 were both in excess of £400 million.

Yield compression has driven values to record highs. Although the break up and sale of Opal in 2013 has been totally eclipsed by the scale of the 2015 and 2016 portfolio deals it will surely be remembered as the catalyst which triggered the surge in international capital committed to the sector. These disposals saw the entrance of Avenue Capital (US), Campus Living Villages (Australia) and notably Greystar Real Estate (US), the largest net investor in recent years who have increased their holdings in further portfolio acquisitions during the year. Other significant new entrants to the UK market during 2015 include Canada Pension Plan Investment Board (CPPIB) and LetterOne Treasury Services (Russia). International capital accounted for a remarkable 82% of transactions in 2015.

Unsurprisingly yields since 2013 have hardened across all types of opportunity by between 50 and 100 basis points. Yields on portfolio transactions are difficult to track and depend on the operating position. In these cases there is continued evidence of a portfolio premium, observed at greater than 10%, in addition to the inherent value in retaining existing management platforms.

Investors seek to mitigate lower yields and improve returns with a move towards development. With competition for up and let stock driving yield compression it is not surprising that interest in the forward



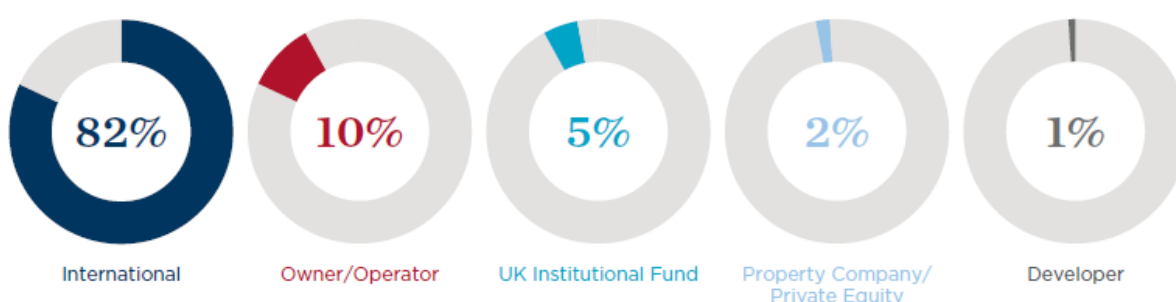
funding of development opportunities is also increasing. McLaren sold its £83 million Union Portfolio to LetterOne, comprising 839 bed spaces in 2015, with a second £175 million development portfolio currently being offered.

The yield gap between a completed scheme and the equivalent development opportunity has been driven to as little as 25 to 50 basis points but for schemes with HEI support in the form of a lease or nomination agreement, or those in the best locations, this margin could disappear altogether. These are further indications of the weight of money being directed to this area of the sector.

Direct Let Proposition £20-50m	Yields
Prime London (Zones 1&2)	4.50/5.00%
Prime London (Zones 3&4)	5.00/5.50%
Super Prime Regions	5.25/5.75%
Prime Regions	5.75/6.25%
Secondary	7.25/8.00%
Tertiary	8.00/10.0%

However, the pace of development activity needs to be closely monitored. Cushman & Wakefield observe a national average student to purpose built bed space (SBR) ratio of 2.1:1. It is with reference to this figure that we measure whether a market is under or oversupplied. An SBR of 1.4:1 in Liverpool for example indicates an element of oversupply, where the council are currently introducing new measures to influence the quality and location of PBSA following an inquiry over supply concerns. Despite this, there are widespread reports of strong occupancy levels in Liverpool. We believe low PBSA pricing relative to traditional HMO markets has had a bigger impact on student migration. At this stage, it is therefore difficult to determine whether an SBR of 1.4:1 represents real oversupply and also what represents the market equilibrium. It is vital that the industry continues to address what an appropriate SBR should be, and this may be different depending on the town or city in question and the micro-economic factors therein.

#### 2015 BY PURCHASER TYPE



Throughout 2015 and into 2016 there has also been a consistent level of single asset transactions alongside portfolio activity. Institutional funds remain active and have eased their requirements. From solely concentrating on the security of university indexed-linked leases and nomination agreements their appetite for direct let assets has developed further in the last 12 months. This has been most marked in the case of existing assets although institutional forward funding of direct let student accommodation continues to establish itself.

Annuity investors such as Legal & General, M&G and Aviva Investors continue to pursue index linked “income strip” opportunities, with the strongest yields in the sector now around 4.00%.



## Investment Outlook

2015 was a ground breaking year for the UK student accommodation sector. The sector is thriving, with liquidity driving investment volumes higher than ever before. Investors are attracted to sound market fundamentals with buoyant student demand and the restricted supply of PBSA resulting in real rental growth in addition to yield compression. As a property asset class, student accommodation has become even more aligned with the mainstream sectors. Can we expect more of the same? Our key predictions for 2016 are as follows:

- Construction costs are expected to continue their upward trajectory. The BCIS all-in tender price index forecasts a 4.9% increase in 2016 which is dominated by labour cost inflation, although materials costs are also set to rebound following a reprieve in 2015.
- Similar levels of liquidity can be expected, although overall investment volumes may not reach the 2015 peak. There are a number of “virgin” investors that have missed out on portfolios that are still seeking investment opportunities in PBSA.
- The conclusion of the sales of the Ardent Portfolio and Project Rose continued to show demand for large portfolios already in 2016, both achieving in excess of £400 million. Brookfield are a new investor entrant to the UK market in 2016.
- Expect the university arms race to continue with heavy expenditure on infrastructure and marketing, unconditional offers and other incentives being used to gain more market share. Success and failure is likely to become starker with both positive and negative consequences for PBSA across the UK.
- At a headline level, rental growth is expected to continue driven by demand and underlying cost inflation factors. Above average growth is likely to be experienced in under developed markets or where planning regimes remain difficult. We can also expect defensive pricing strategies in markets containing universities that are losing market share as a result of the removal of student number controls or where existing supply and development pipelines are high. Affordability will continue to be a strong theme within student satisfaction.
- We expect increased investor appetite for large portfolios of development funding opportunities. This will enable access to scalable platforms and enhanced returns to compensate for development risk. We are aware of a number of emerging examples that are likely to transact in 2016.
- Secondary PBSA now offers a large yield discount to prime. As part of the sector’s natural evolution, we expect investors with higher costs of capital, such as opportunity funds and private equity to backfill this space. This is likely to lead to yield compression and there remains a huge opportunity to address the growing affordability agenda through an appropriate operating platform and savvy branding.
- London remains undersupplied with PBSA but expect to see activity concentrated in emerging clusters within Zones 3 and 4 as development in more central locations continues to remain unviable.
- The outlook for yields in Scotland however is less optimistic, with the proposed introduction of the Scottish Private Housing (Tenancies) Bill and continued political uncertainty causing concern for investors in PBSA.
- Stability in yields with limited if any compression in Central London, where yields appear to offer “fair value” relative to other mainstream sectors. Scope for yield compression still exists in Outer

London and regionally in England and Wales, supported by more liquidity relative to lower levels of available investable stock and the continuing low interest rate environment.

- We expect to see fourth and fifth generation student accommodation schemes during 2016 as developers seek to differentiate in more saturated markets. This extends to new concepts offering more flexibility and efficiency in response to rising land values and alternative uses such as PRS, as well as bigger and better social spaces for students to interact.
- Supply is expected to continue to grow. 2015 saw an additional 20,000 bed spaces being delivered into the UK market and there is no reason to suggest this won't be repeated. Developers need to be aware of approaching market equilibriums, the pace of erosion of traditional HMO stock and any warning signs in reduced occupancy levels.

### 1.4.1. Student Investment Transactions

We provide below details of recent transactions of student accommodation which we are aware of and have split these between Direct Let schemes where operators do not have an agreement with a university to accommodate their students and where the operator sets the rental level annually; and investment schemes where operators have a formal lease or nomination agreement for an agreed term with a university where a number of rooms are designated for the university's students with an agreed annual rent paid by the university to the operator for the lease term (subject to reviews):

#### University Lease / Nomination Agreement Transactions

##### February 2015 – Barker House, Newcastle-upon-Tyne

A Middle Eastern investor purchased Barker House for £6m. The property comprises of 137 en suite cluster bedspaces constructed in two phases: 105 rooms for the year 2012 and additional 32 rooms in the ground floor for the year 2013. The property is let in its entirety to Newcastle University on an 5 year lease expiring in September 2017 (landlord to insure and repair) with a passing rent of £603,113 per annum (guaranteed rental uplift from September 2014). The agreed purchase price reflected a bedspace value of c.£43,795.

##### October 2014 - Student Court, Wembley

In October 2014, Greystar purchased this property for £69.6m. The property comprises of 660 student bedspaces arranged as 481 en suite cluster rooms and 179 studios, together with 5 luxury 3-bed residential apartments (non-student). The cluster bedspaces are subject to a Nomination Agreement to the University of Westminster, with the 179 studios being direct let. The agreed purchase price reflects a Net Initial Yield of c.6.10% and a bedspace value of c. £105,000.

##### October 2014 – Central Village, Leeds

Phases 1 and 2 of Central Village provide a total of 980 bedspaces arranged across 4 buildings within cluster flats of 4, 5 or 6 units, together with a small number of studios. Phase 1 was completed in September 2012 and comprises of 576 en-suite study bedspaces arranged over three buildings, Blocks A, B and C, each of which were redeveloped. Phase 2 comprises a 21 storey tower providing a further 404 en suite bedspaces which reached practical completion in September 2014. The scheme was acquired by the University of Leeds for £62 million, reflecting a Net Initial Yield of 6.25% and a bedspace value of c.£63,265.

##### April 2014 - Crathie Student Village, 515-519 Holburn Street, Aberdeen

A recently constructed student accommodation block, known as Crathie Student Village, was purchased in April 2014 by John Lewis Partnership Pensions Trust. The block, situated to the south west of the city centre, contains 97 en-suite bedrooms and benefits from a 15 year FRI lease to Robert Gordon University. The current passing rent is £343,089 per annum with fixed annual rent reviews at 2%, albeit a 9 month rent free period from the date of entry was being offered. A purchase price of £5,650,000 was achieved,

reflecting a net initial yield of 5.75%, £58,250 per bed space. We understand there is an issue with the VAT on the property, meaning it is non-recoverable, and this is likely to have impacted upon the sales price achieved. We are aware that this issue had caused the sale of the property to fall through on at least one occasion.

#### March 2014 – Frobisher House, Plymouth

The scheme comprises a new high quality student development providing 134 beds and a Sainsbury's Local. The student accommodation is let in its entirety to Plymouth University for a term of 2 years with effect from September 2013 at a rent of £710,000 per annum. The scheme was purchased by BlackRock UK Property Fund for £9.40m reflecting a blended yield of 7.14% (5.50% - 6% for commercial and 7.50% - 7.75% on student element).

#### November 2013 - Christ Church University, Canterbury

The scheme comprises 193 en suite rooms arranged over two blocks and will be delivered by September 2015. It will be let to Christ Church University, Canterbury on a 25-year lease, with annual RPI-linked uplifts. The scheme was purchased by L & G for £15,700,000 which reflects a net initial yield of 5.14% and a price of £81,347 per bedspace.

#### October 2013 - Lyme Regis House, Chesil House & Okeford House, Bournemouth

This consists of the sale of three student housing blocks which are let to Campus Living on a FR&I lease for 35 years with annual rent reviews linked to inflation. The space is used by the University of Bournemouth. Capital was provided by the £1.53bn M&G Secured Property Income Fund. The schemes were purchased at £38,100,000 which reflects a net initial yield of 5%.

#### July 2013 – Great Newton Street / Philharmonic Court -University Lease / Nomination Agreement Transactions

Ropemaker (BP Pension Fund) bought this 267 bedspace student accommodation with a 10 year university agreement with The University of Liverpool who will operate it themselves from completion in the academic year of 2014/15. The development sold for £14 million which reflects a 6.60% yield and £52,434 per bedspace.

#### June 2013 - INTO Newcastle, Haymarket Street, Newcastle-Upon-Tyne

Let to INTO Newcastle University on two 35-year leases from October 2012. It comprises 534 student rooms in total, while the investment also includes 40,000 sq ft of bespoke, high specification teaching space. The 534 bedspace scheme sold for £86m which represented a net initial yield of 5%.

### Large Direct Let Transactions

#### May 2016 – Victoria Point, Manchester, M13 0FT

Empiric Student Property purchased Victoria Point for £29.5m. The scheme was constructed in 2009 as a private residential scheme comprising apartments and duplexes across six separate blocks. The property has been let entirely to students since it was built with the 561 beds set in a mix of two-, three- and four-bedroom apartments with nine three-bedroom duplexes. The property has a good letting record and was fully let for the 2015/16 academic year. The agreed sale price reflected a NIY of 5.95%.

#### March 2016 – Saxon Court. Reading, RG1 2SQ

Empiric Student Property purchased Saxon Court for c.£13m in March 2016. The scheme comprises of 83 studios which is well-located between the centre of Reading and Reading University. The property was developed for the 2016/16 academic year and achieved full occupancy in its first year. The agreed sale price reflected a NIY of 6.00%.

#### May 2015 – Portland Green, Newcastle, NE2 1AA

Metnor sold their Portland Green scheme to Far East Orchard Ltd for c.£60m. The scheme totals 1,664 bed spaces (274 beds existing, 338 beds in development and a further 1,052 beds with either detailed or outline consent in five land plots). The scheme provides a modern purpose-built 9-storey accommodation scheme with the existing 344 student Ensuite bedspaces arranged in 39 cluster flats of between 5 and 8 bedspaces and 58 studios. The scheme is fully let for the 2014/15 academic year with a gross aggregate rent of c.£4.10m pa. The sale price reflected a Net Initial Yield of 5.70%, and a value per bedspace of £174,420.

#### May 2015 – 5 City Block Schemes across Lancaster and Leicester

Empiric Student Property has bought the freeholds of five student accommodation schemes from CityBlock. CityBlock 1 Lancaster provides 30 en suite bedspaces, CityBlock 2 Lancaster provides 77 beds (52 en suite bedspaces and 25 studios) and CityBlock 3 Lancaster provides a total of 100 bedspaces (en suite and studio mix). In Leicester, CityBlock 1 Leicester provides 98 en suite bedspaces and CityBlock 2 Leicester provides 76 en suite bedspaces. CityBlock will continue to operate the properties on behalf of Empiric.

The portfolio sold for £26,500,000 which equated to a value per bedspace of £69,554. We understand the sale price reflected a net initial yield of c.6.25%.

#### October 2014 - Blackburn Road, Hampstead, NW6 1RZ

The scheme provides a modern purpose-built 9-storey accommodation scheme located within a 20-minute tube time of 20 university campuses. The scheme comprises of 344 student bedspaces arranged in 39 cluster flats of between 5 and 8 Ensuite bedspaces and 58 studios. The scheme is fully let for the 2014/15 academic year with a gross aggregate rent of c.£4.10m pa. The property was sold by a private UK family trust to Round Hill Capital for c.£60 million, reflecting a Net Initial Yield of 5.70%, and a value per bedspace of £174,420.

#### August 2014 – The Printworks, Exeter, EX1 2ZT

The scheme comprises of 492 student bedspaces located in the centre of Exeter which opened for the commencement of the 2013/14 academic year. The scheme provides a mix of cluster flats within 2-bed to 7-bed flats with shared kitchen and living areas, and self-contained studios let to students on a direct-let basis and which achieved 100% occupancy upon opening. The scheme was acquired by BlackRock UK Property Fund for £40m, equating to £81,300 per bedspace.

#### June 2014 - Charlotte Court, Charlotte Street, Sheffield, S2 4EQ

The scheme comprises of 371 Ensuite student bedspaces located to the southern fringe of Sheffield city centre. The accommodation is arranged in 6-bed cluster flats and is let to students on 42 week tenancies under a Nominations Agreement with Sheffield Hallam University. The scheme was acquired by Pramerica for £13.0m, which reflected a net initial yield of 6.75% and £35,000 per bedspace.

#### April 2014 - Darley Bank, 7-11 Brook Street, Derby, DE1 3PF

The scheme comprises a purpose-built student scheme constructed by Watkin Jones in 2013 and which provides a total of 405 Ensuite student bedspaces. The scheme is located to the north western fringe of the city centre and in close proximity to the University of Derby. The scheme is let to Fresh Student Living on a 5-year lease incorporating RPI-linked rent reviews, who in turn let bedspaces to students on a direct-let basis. The scheme was purchased by LaSalle Investment Management for £19.48m, reflecting a net initial yield of 7% and £48,000 per bedspace.

**December 2013 - Opal 3, Nottingham, NG7 3EH**

Opal 3 was bought to the market via Savills on the instruction of RPS Capital Partners. It generated rental income of £2.4m for 2012-13 academic year. The 448 purpose built student scheme was sold for £25,000,000 by Avenue Capital Group. This represents a net initial yield of 6.75% and a value of £55,800 per bedspace.

**Smaller Direct Let Comparables****March 2016 – Ladybarn House, Manchester, M14 6ND**

Empiric Student Property purchased Ladybarn House for c.£10.25m. The scheme comprises of 117 cluster bedspaces which is well-located to the edge of Manchester's Piccadilly area and station. The property was developed in 1994 by the University of Manchester, which remains the freeholder. In addition to the student rooms, Ladybarn House has four fully let ground-floor retail units. The agreed sale price reflected a NIY of 6.10% and equates to c.£87,600 per bed.

**November 2015 – Lace Market Studios, Nottingham, NG1 1LB**

LaSalle have acquired the Lace Market scheme for £10m. The scheme is being developed by Omni Developments and will provide 113 studios to be completed for the 2016/17 academic year. The development will extend over nine storeys with units finished to a high specification with 24 units benefitting from balconies. Lace Market Studios will be the first purpose-built student housing scheme to be located in the historic Lace market district of the city centre. The purchase price reflected a 6.60% NIY and equated to £88,500 per bedspace.

**August 2015 - James Street West, Bath, BA1 2BU**

Empiric Student Property have agreed a forward commitment for a 78 bedspace scheme at James Street West. The development is expected to complete for the 2016/2017 academic year. The agreed price of price of £7.65m reflects a NIY of 6.00% against the projected 2016/2017 income and equates to c.£98,000 per bedspace.

**May 2015 - Claremont Place, Newcastle, NE2 4AA**

Empiric Student Property purchased Claremont Place for c.£11m. The scheme comprises of 89 studios which is well-located to the edge of Newcastle University's city centre campus. A rental guarantee was provided for 2015/2016. The agreed sale price reflected a NIY of 6.10% and equates to c.£123,600 per studio

**October 2014 – Alwyn Court, Cardiff, CF24 4AF**

Alwyn Court provides of a purpose-built student accommodation scheme which opened in 2012 and is located within a five minute walk of Cardiff University. The property comprises of 51 beds arranged across cluster flats and individual studios let to students on a direct-let basis. We understand that the scheme is 100% let for the 2014/15 academic year. The property was acquired by Empiric Student Property PLC for £3.5 million, reflecting a net initial yield of 7.00% and c.£68,630 per bedspace.

**October 2014 – Northgate House, Cardiff, CF10 3FD**

Alwyn Court provides of a purpose-built student accommodation scheme, parts of which are in the late stages of construction and which are anticipated to be completed in January 2015, located within within an easy walk of Cardiff University. The property will total 67 beds arranged across cluster flats and individual studios let to students on a direct-let basis. We understand that the scheme was sold with the benefit of a 100% rental guarantee for the current academic year by the vendor Trafalgar Villa Estates. The property was acquired by Empiric Student Property PLC for £5.2 million, reflecting a net initial yield of 7.00% and c.£77,611 per bedspace.



We understand that together with the above Alwyn Court, Empiric Student Property PLC hold a total of 3 student schemes within Cardiff in close proximity to one another, and benefits from shared operational management costs.

#### September 2014 - London Road, Southampton, SO15 2AG

The scheme comprises of 46 studio and 'twodio' units let to students on a direct-let basis. Phase 1 of the property (34 beds) was completed in 2013, with Phase 2 (12 beds) having been completed for the 2014/15 academic year. The scheme was approximately 96% let for the 2014/15 academic year at the date of sale, although the property was sold with the benefit of a 100% rental guarantee for the current academic year by the vendor Urban Creation. The property is located in central Southampton, close to Southampton Solent University and between the city centre and the University of Southampton. The property was acquired by Empiric Student Property PLC for £3.6 million, reflecting a net initial yield of c.7.50% and c.£78,260 per bedspace.

#### September 2014 - Donald Hunter House, London, E7

Donald Hunter House provides an 8-storey student accommodation scheme located close to the University of East London's Stratford Campus (15 minutes) and within travelling distance of Queen Mary University and London Metropolitan University's Aldgate Campus (25 minute bus journey). The property comprises of 286 non en-suite cluster bedrooms let to students on a direct-let basis, together with two ground floor commercial units. The property was acquired by the Mansion Group for £15.5 million, reflecting a net initial yield of c.7.50% against the student element and c.£54,000 per bedspace.

#### June 2014 - College Green, Bristol, BS1 5SH

The scheme comprises an 84 bed long leasehold property arranged in individual studios and two bedroom apartments and includes a gym, cinema room, games rooms and work rooms for the use of the student residents. The property is located approximately 10 minutes walk from the University of Bristol campus. It is a converted office building which has been operational since the 2011 academic year and has consistently achieved 100% occupancy. The property also includes a small Morrison's supermarket on the ground floor which is let on a 15 year lease, together with other retail/coffee shop units. Student accommodation accounts for c.82% of the projected income for 2014/15 which is are let on 51 week tenancy agreements with weekly rents ranging from £140 to £199 per week for the 2014/15 academic year. The scheme was acquired by Empiric Student Property PLC for £9.97 million, reflecting a net initial yield of 6.40%.

#### June 2014 - Picturehouse Apartments, Exeter, EX4 6PL

The scheme comprises a 102 bed freehold property arranged in individual studios and two bedroom apartments and includes a gym, cinema room, games rooms and work rooms for the use of the student residents. The scheme provides purpose-built student accommodation completed for the commencement of the 2013 academic year and includes a small Tesco supermarket on the ground floor let on a 20 year lease. The scheme has achieved 100% occupancy since opening and is located 10 minutes walk from the University of Exeter campus. The student accommodation accounts for c.93% of the projected income for 2014/15 which are let on 51 week tenancy agreements with weekly rents ranging from £109 to £206.50 per week. The scheme was acquired by Empiric Student Property PLC for £11.41 million, reflecting a net initial yield of 6.50%.

#### June 2014 - Summit House, Cardiff, CF10 3BX

The scheme comprises an 87 bed freehold property arranged as individual studios and two bedroom apartments and includes a gym, cinema room and work rooms for the use of the student residents. The property is located approximately 5 minutes walk from Cardiff University campus. It is a converted office building completed for the commencement of the 2013 academic year and has achieved 100% occupancy since that time. The property also includes a separate coffee shop on the ground floor and roof antennae

from which rental income is achieved. The student accommodation accounts for c.94% of the projected income for 2014/15, let on 51 week tenancy agreements with weekly rents ranging from £163 to £189 per week. The scheme was acquired by Empiric Student Property PLC for £9.58 million, reflecting a net initial yield of 6.50%.

#### May 2014 - Canto Court, 122 Old Street, London, EC1V 9BD

The property provides of a purpose-built student accommodation scheme constructed in 2008 and comprising of 164 self-contained studios. The property is located within walking distance of Queen Mary University, City University London, Cass Business School and the London School of Fashion and benefits from a Nomination Agreement with City University London expiring June 2015, with 55% of accommodation nominated at the date of sale. The property was acquired by the Realstar Group for £31.2 million, reflecting a net initial yield of c.6.50% and c.£190,000 per bedspace.

### Portfolio Transactions

#### March 2016 - Ardent Portfolio

The Ardent Portfolio comprises of 25 operational assets located in 12 UK university cities with a total of 5,507 bedspaces. The portfolio is being sold by Guernsey-based International Mutual Fund with the properties forming the Mansion Student Accommodation Fund. The portfolio has a projected aggregate gross rent for the 2015/16 academic year of c.£37,250,000 (including bedspace rent, summer income and sundry incomes) and a projected net operating income of c.£26,470,000.

Mapletree Investments acquired the portfolio for £417,000,000, which reflected a portfolio net initial yield of c.6.00% against the 2015/2016 net rental income and equates to an average bedspace value of approximately £75,000.

#### August 2015 - Student Castle Portfolio

The Canadian Pension Plan Investment Board (CPPIB) acquired the Student Castle Portfolio totalling 2,153 bedspaces within 5 prime assets located in London, Manchester, Newcastle, Bristol and Cardiff. The aggregate purchase price totalled £330m, equating to an average bedspace value of approximately £153,300 and reflected a yield of c.5.00% against the 2015/2016 net rental income.

CPPIB's acquisition followed their purchase of the Liberty Living Portfolio in February 2015 (see below). It is understood that the Student Castle assets will be operated under the Liberty Living operation and management platform.

#### June 2015 - Ahli Portfolio

The UK Student Accommodation Fund (USAF) has acquired a 2,100 bed accommodation portfolio from Ahli Bank. The portfolio consists of 8 assets in 7 locations (Oxford, Durham, York, London, Glasgow, Leeds and Birmingham). Some 70% of the bedspaces will be direct let, with the balance let through agreements with the London School of Economics and Oxford Brookes. The agreed purchase price of £271m reflected a portfolio net initial yield of 5%.

#### June 2015 – Urban Sleep Portfolio

Empiric Student Property acquired the Urban Sleep Portfolio from Liverpool Edge Limited for a total consideration of £41.6m. The portfolio comprises a total of 502 bedspaces plus commercial accommodation arranged across 6 assets in Liverpool and 1 in Stoke-on-Trent. The schemes are predominantly direct-let with 2 properties (total 124 beds) benefitting from annual Nomination Agreements with Kaplan Language College. The achieved sale price reflected a net initial yield of 6.35% (based on a net rental guarantee for 2015/16).

#### April 2015 - Westbourne Portfolio

Knightsbridge Student Housing's Westbourne portfolio was acquired by Goldman Sachs for a total consideration of c.£540m. The portfolio comprises of 13 student schemes located in Lincoln (2x schemes), London (2x schemes), Bournemouth, Plymouth, Bangor, Birmingham, Newcastle, Huddersfield, Brighton and Oxford, providing a total of 5,866 beds. We understand that the portfolio has a track record of 99%+ occupancy year-on-year. The portfolio's ERV for the 2015/16 academic year is stated was c.£38.5m, with 58% of the Net Operating Income secured on long-term lease or nomination agreements (weighted unexpired term of 6 years). The agreed sale price reflected an overall net initial yield of c.5.00% and an average bedspace price of £99,000.

#### March 2015 - Union Portfolio

LetterOne acquired the portfolio of four development sites from McLaren Property under a forward commitment (with planning permission) for student accommodation located in Bath (2015), Edinburgh (2015), York (2016) and Brighton (2015). Upon practical completion the proposed assets will comprise a total of 839 student bed spaces. We understand that the purchase price agreed totalled £83m, reflecting individual property net initial yields of c.5.25% at Bath, c.5.50% at Edinburgh and York circa, and c.6.00% at Brighton. The sale price reflected an average bedspace value across the portfolio of £99,000.

#### March 2015 - Pure Student Living Portfolio

The Carlyle Group sold the Pure Student Living portfolio, comprising of four completed schemes located in Hammersmith (2,150 beds), the City (805 beds), on the South Bank (150 studios) and in Highbury (400 beds). There is also a fifth scheme currently under development (417 beds) located on Commercial Road in Whitechapel, which forms part of the sale and will be ready for occupancy for the start of the 2015/16 academic year. LetterOne Treasury Services purchased the portfolio for around £532m, ahead of the asking price of £500m. We understand that the student element of the portfolio reflects a NIY of 4.45% on current contracted income with anticipated reversion to 4.60% in 2015/16. We understand a portfolio premium of circa 10% was achieved. The agreed sale price reflects circa £245,000 per bed overall.

#### February 2015 - Liberty Living Portfolio

Canadian Pension Plan Investment Board (CPPIB) acquired the Liberty Living student portfolio from the Brandeaux Student Accommodation Fund for £1.1bn in February 2015. The portfolio comprised of 41 student accommodation schemes located in 17 university towns and cities across the UK providing a total of 16,748 student bedspaces. The achieved sale price reflected a net initial yield of c.5.95%.

#### October 2014 – IP Global Portfolio

The IP Global Portfolio comprised of three student schemes at Mansion Hub, London; Mansion Mews, Oxford; and Shand House, Cardiff, totalling 398 bed spaces. The portfolio was acquired by LaSalle Investment Management for £46.5m, reflecting an overall net initial yield of 5.9%. Our understanding of the individual property breakdown is as follows:

- Mansion Hub, London – NIY 5.00% with a reversion to 5.47% (6 vacant rooms). Comprises of 93 studios let at between £215 and £310 per week on 51 week tenancies.
- Mansion Mews, Oxford – NIY 5.77%. Comprises of 112 bed spaces within a mix of en-suite clusters and studios let at between £175 and £215 per week on 51 week tenancies.
- Shand House, Cardiff - NIY 6.08%. Comprises of 193 bed spaces within a mix of en-suite clusters and studios let at between £130 and £180 per week on 48 or 51 week tenancies.

#### August 2014 – LiMA Portfolio

The Centurion Group, a Singapore based investment fund, acquired the LiMa portfolio comprising of 1,906 student bedrooms and 17 commercial units, located in four buildings in Manchester and Liverpool for a total



consideration of £77m. Each of the schemes are operated on a direct-let basis with an aggregate gross income at the date of sale of c.£8.97m. The agreed sale price reflected a Net Initial Yield of 8.10%.

#### July 2014 – Cordea Savills Student Hall Fund

In July 2014, Unite UK Student Accommodation Fund (USAF) acquired the Cordea Savills Student Hall Fund for £137m. The portfolio comprises of 2,904 bedspaces, across nine assets in cities including Edinburgh, Bath, Bristol, Loughborough, Leeds and Birmingham. Two of the properties acquired in Bath and Portsmouth are already operated by Unite under sale and leaseback arrangements and represented approximately 35% of the acquired portfolio by value, with each benefitting from long term nominations agreements with Universities.

The remaining income profile provides a diversified blend of leases, nomination agreements and direct let assets. The agreed sale price reflected a Net Initial Yield of 6.30%.

#### May 2014 – Megaclose Portfolio

The portfolio comprised of 3 student residential schemes within Leicester located across sites in Regents Court, Regents Road; Queens Road and The Summit, providing a total of 694 bedspaces. The portfolio was acquired by Avenue Capital for a combined total of £34.84 million equating to an average bedspace value of 50,200.

#### April 2014 – Oasis Capital Bank Portfolio

Greystar have acquired the OCB portfolio for around £174m, reflecting a net initial yield of approximately 5.90%. The portfolio comprises three London assets totalling 1,135 bedspaces including the 230-bed Great Suffolk Street in Southwark; the 573-bed Woodland Court near Caledonian Road in Islington; and the 332-bed Wedgwood Court on Holloway Road. The assets were originally bought in a five-year joint venture partnership between Unite and Bahraini company OCB in 2008, with an estimated completion value of £194m. Unite and OCB decided to sell the assets in August 2014, valuing them at £175m. Unite will use the proceeds from the sale to increase its stake in its London-focused UCC partnership with GIC.

The acquisition follows Greystar's £300m purchase of 21 properties and over 6,900 beds throughout the UK from the collapsed Opal group of companies in December 2013 (see below).

### 1.4.2. Comparable Investment Summary

C&W's consideration of prime yields for UK direct-let accommodation schemes are detailed below:

Direct Let Proposition £20-50m	Yields
Prime London (Zones 1&2)	4.50/5.00%
Prime London (Zones 3&4)	5.00/5.50%
Super Prime Regions	5.25/5.75%
Prime Regions	5.75/6.25%
Secondary	7.25/8.00%
Tertiary	8.00/10.0%

The individual properties within the subject portfolio predominantly comprise of purpose-built student residential schemes, the majority of which are operated on a direct-let basis. All accommodation is finished to a reasonable specification with the majority of schemes providing a mix of en suite cluster flat accommodation and studios.

Having regard to the comparable investment transactions detailed above, individual sales of properties subject to lease or nomination agreements with universities have generally achieved yields in the range of 5.00% and 6.50% whilst direct-let student transactions have generally achieved between 5.75% and 7.00%, dependent upon the individual scheme size, location, student demand and university city, as well as the room types provided at the respective scheme.

We note that the identified portfolio transactions have achieved yields predominantly ranging between 5.00% and 6.50%, although the most recent transactions have generally ranged between 4.50% and 6.00% reflective of the competitive bidding for stock as operators and funds seek to acquire large scale student operations to establish themselves within the market.

## 1.5. Valuation Summary

Individual property executive summaries are included within Sections 3-15 of this Valuation Report which also includes our valuation approach for each property. The valuations referred to below must be read in conjunction with the other sections of this Valuation Report.

### 1.5.1. Basis of Valuation

Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on arm's length terms.

Due to the operational nature of the Property we have assessed the Market Value having reference to the trading potential. As such we have made reference to Valuation Practice Guidance Applications (VPGA) 4 of the Red Book and the Property has been valued as fully equipped operational business and our valuation therefore reflects the income/earnings derived from the operation of the existing business unit and includes:

- a) The legal interest in the land and buildings;
- b) The trade inventory, usually comprising all trade fixtures, fittings, furnishings and equipment; and
- c) The market's perception of the trading potential of the property excluding personal goodwill, together with an assumed ability to obtain/renew existing licences, consents, certificates and permits.

Consumable stocks, vehicles and loose tools have been excluded.

We confirm that during the valuation nothing came to our attention which would indicate that existing licences, consents, certificates and permits would not be renewed in accordance their existing terms.

The valuation includes trade items and equipment that are essential to the running of the operational entity but which are either owned separately from the land and buildings or leased and assumes that the owners or beneficiaries of any charge would consent to the transfer of the assets as part of the sale of the operational entity.

The valuation reported herein, as stated above, are on the basis of trading potential and as such it is assumed that:

- a) the business will at all times be effectively and competently managed, operated and promoted; and
- b) the business will be properly staffed, stocked and capitalised.

The underlying assumption when valuing a property of this nature is that there will be a continuation of trading and that there is a Reasonably Efficient Operator (REO) available to manage and operate the Property.

In undertaking a valuation by reference to the trading performance of the Property, we have been provided with historic, current and forecast financial data as detailed above by the Company which has been extracted without material adjustment. Particular regard has been had to the historic and current sales, earnings before interest, tax, depreciation and amortisation ("EBITDA") and capital expenditure.

The Property is integral to the business of operating the Property and therefore, as with all classes of property valued by reference to trading potential, the underlying value of the property asset can fluctuate to a greater degree when that trading potential is altered, either up or down than is normally the case with most other types of commercial property. Consequently, if the EBITDA were to fall substantially short of current levels, then this would have a detrimental effect on future value, conversely if the EBITDA were to rise substantially this would have a positive effect.

In accordance with your instructions, we have undertaken our valuations on the same basis as previously instructed for the Valuation Report dated 19 April 2016, as follows:

- a. Market Rent
- b. Market Value

In preparing our opinions of Market Value and Market Rent you have instructed us to assume a valuation date of the 30 September 2016. Our valuations are therefore based on the 2016/17 academic year and rentals as marketed.

Our Valuation Report is subject to our standard Valuation Conditions and Assumptions which are included in Section 2 of this Valuation Report. In the event that any of our Assumptions prove to be incorrect then our valuations should be reviewed.

## 1.5.2. Valuations

### i. Market Rent

We are of the opinion that the aggregate Market Rent of the properties within the Rose 1 Portfolio, as at 30 September 2016, subject to the Assumptions and comments in this Report and the Appendices totals approximately:

<b>£24,805,000</b>	<b>(Twenty Four Million Eight Hundred &amp; Five Thousand Pounds per annum)</b>
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The above Market Rent is the aggregate Net Market Rent of the properties for the 2016/17 academic year after allowances for voids, bad debts and incentives and costs of operation.

The Market Rent of the student element of the subject portfolio totals approximately £24,440,000 with the commercial elements totalling approximately £365,000.

## ii. Market Value

We are of the opinion that the aggregate Market Values of the freehold and long leasehold interests in the properties within the Rose 1 Portfolio, as at 30 September 2016, subject to the Assumptions and comments in this Report and the Appendices is:

<b>£404,335,000</b>	<b>(Four Hundred &amp; Four Million, Three Hundred &amp; Thirty Five Thousand Pounds)</b>
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The Market Value of the student element of the subject portfolio totals £401,305,000 with the commercial elements totalling approximately £3,030,000.

Our opinion of the Market Value of the student element of the subject portfolio equates to an overall portfolio net initial yield of 5.90%, taking account of the 2016/17 academic year's rental profiles, which is in line with the identified comparable portfolio transactions detailed above.

Our opinion of the portfolio Market Value is the aggregate of the Market Values of the individual student accommodation schemes on the assumption that the portfolio is acquired by a single, experienced, student operator who has an existing marketing and management platform.

We note however that should the properties be disposed of on an individual basis to separate student operators, we consider the element of the portfolio situated within Leicester would be disposed as a single lot to achieve best price given the proximity of properties and the economies of operation this offers. These properties further benefit from lettings contracts with SuLETS (charitable organisation set up by the University of Leicester and De Montfort University's Student Unions) which provides exclusivity agreements with the Universities. The lotting of these properties would be imperative to maintaining the relationship with SuLETS and occupancy levels at the schemes. In providing our opinions of value of the Leicester properties we have therefore applied an element of lotting premium to these properties.

### Application of Multiple Dwelling Relief and Purchaser's Costs

We have allowed for purchaser's costs within our valuations comprising of Stamp Duty Land Tax (SDLT) together with sales agent and legal fees.

We have been provided with a copy of a letter prepared by PricewaterhouseCoopers LLP (PwC) dated 9 September 2016 on behalf of the Borrower and the Banks, which details the eligibility of each property for Stamp Duty Land Tax (SDLT) savings under the application of Multiple Dwelling Relief (MDR).

It is PwC's opinion that each of the properties, with the exception of Newcastle 1, Blandford Square, Newcastle-upon-Tyne, would be eligible for SDLT savings under the application of MDR.

Our opinions of Market Value are provided on the basis of the advice provided by PwC. We note however that should the ability of each property to achieve MDR differ from the advised PwC opinions, we should be advised immediately and requested to revisit our valuations and assumptions.

### Summary of Individual Property Market Values

We summarise the individual property valuations within the subject portfolio as follows:

Scheme	2016/17 Gross Income (100% Occ)	2016/17 Net Income	Yield (%)	Market Value	Market Value P/Bed
Brookland Road Apartments, Leicester	£1,557,504	£1,232,232	5.90%	£20,245,000	£79,392
Eastern Boulevard, Leicester	£482,688	£359,658	6.10%	£6,190,000	£77,375
Newarke Street Apartments, Leicester	£1,764,768	£1,317,698	5.95%	£21,480,000	£75,634
Queens Court, Leicester	£592,704	£433,148	6.85%	£6,145,000	£42,972
Regents Court, Leicester	£790,176	£583,813	6.85%	£8,255,000	£45,357
The Summit, Leicester	£2,429,328	£1,902,086	6.00%	£30,840,000	£83,577
Upperton Road, Leicester	£3,186,950	£2,375,710	5.95%	£41,400,000	£77,239
Newcastle 1, Newcastle-upon-Tyne	£2,790,219	£2,127,768	6.00%	£33,215,000	£89,528
Nottingham 2, Nottingham	£6,550,764	£5,089,663	5.85%	£84,420,000	£77,026
Trinity Square, Nottingham	£4,224,907	£3,168,437	6.00%	£51,145,000	£73,065
Sheffield 2	£2,619,888	£1,734,208	5.75%	£29,225,000	£56,202
Sheffield 3	£5,384,430	£3,936,686	5.75%	£66,390,000	£66,925
Snowdon Hall, Wrexham	£446,787	£181,711	7.50%	£2,355,000	£15,096
<b>Student Total</b>	<b>£32,821,113</b>	<b>£24,442,818</b>	<b>5.90%</b>	<b>£401,305,000</b>	<b>£70,603</b>

### Commercial Elements

Scheme	Description	Gross Passing Rent (pa)	Yield (%)	Market Value
Sheffield 3	Office Accommodation let to University of Sheffield, expiring 1 November 2019.	£365,000	9.00%	£3,030,000
<b>Commercial Total</b>				<b>£3,030,000</b>

## 1.6. Disclosure and Confidentiality

### Definitions

Addressee means:

- (1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser, hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level (including, in each case, both at a note and loan level), in connection with the Transactions.; and
- (2) Each successor, assignee and transferee of each person referred to above,

(each a "Beneficiary" and together, the "Beneficiaries").

Transactions means:

- (a) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.À.R.L. under a senior issuer/borrower loan agreement; and
- (b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II Mezz Borrower S.À.R.L. under a mezzanine issuer/borrower loan agreement.

## Disclosure and Syndication

This Report is provided in connection with the Transactions and is addressed to, and is solely for the benefit of the Addressees. It should not be provided, or disclosed in whole or part, without our prior written consent, however, an Addressee is entitled to disclose it on a non-reliance basis.

- a. if the Report is publicly available or if any part is publicly available, only that part which is publicly available, in each case other than as a result of a breach by an Addressee of this provision;
- b. to any of its affiliates and related funds and any of its or their officers, directors, employees, professional advisers, auditors, partners, representatives, agents and insurers;
- c. to any person appointed by any Addressee or by a person to whom paragraph (b) above applies to receive communications, notices, information or documents delivered on its behalf;
- d. if required or requested to do so by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any stock exchange, listing authority or similar body or pursuant to any applicable law or regulation;
- e. in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- f. to any person in connection with or in contemplation of the Transaction;
- g. administrative, settlement or numbering service providers and their professional advisers; and
- h. to any rating agency and their professional advisers,

On the basis that (i) such disclosure is made solely to enable any such person to be informed that the Report has been given and to be made aware of its terms but not for the purposes of reliance, save for Addressees; and (ii) we do not assume any duty or liability to any person to whom such disclosure is made and in preparing this Report we only had regard to the interest to the Addressees.

In addition, the Report or a reference to and summary of the Report (and the methodologies and concepts on which the same is based) may be included in any offering materials or investor presentation materials (whether ongoing or not) related to the Transactions.

For the avoidance of doubt, the aggregate liability cap of £75m shall apply as an aggregate cap between all Addressees and any other assignee or transferee of the addressees who seeks to rely on the reports.

Publication or disclosure of our Valuation Report shall not be permitted by C&W unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to in the Engagement.

Yours faithfully,



**James Lockwood MRICS**

**Associate**

**RICS Registered Valuer**

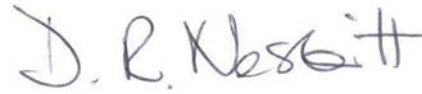
For and on behalf of

DTZ Debenham Tie Leung Limited

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**Derek Nesbitt MRICS**

**Partner**

**RICS Registered Valuer**

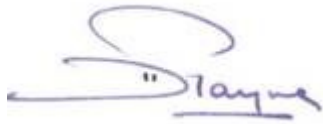
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**Partner**

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## **1.7. Portfolio Valuation Summary**





Valuation Date: 30 September 2016

PROJECT ROSE C&W Valuation Summary Output																					
				2016/17 Academic Year										Stamp Duty - Minimum of 1% Stamp Duty							
#	Asset	Location	Total Beds	Gross Rent (£)	Av. Term Wks	Av. Rent p/bed/wk	Voids, Bad Debts & % of Rent		Add. Income	Adj. Gross Rent (£)	Budget Operating Costs (Incl. Derwent)		Net Rents 2016/17	Yield	Gross MV	Immediate Capex	Purchaser's Costs	Market Value	Market Value (p/bed)	Commercial Market Value	Sept 2016 Market Value Stamp
				£		£ / bed	£	%	£	£	£	£ / bed	£	%	£	£	£	£	£	£	£
1	Brookland	Leicester	255	1,557,504	48.00	127.25	31,150	2.00%	75,225	1,601,579	369,347	1,448	1,232,232	5.90%	20,885,287		3.17%	20,245,000	79,392		20,245,000
2	Eastern Boulevard	Leicester	80	482,688	47.60	126.76	9,654	2.00%	23,600	496,634	136,976	1,712	359,658	6.10%	6,365,559		2.80%	6,190,000	77,375		6,190,000
3	Newarke St Apartments	Leicester	284	1,764,768	48.00	129.46	35,295	2.00%	83,780	1,813,253	495,555	1,745	1,317,698	5.95%	22,146,179		3.12%	21,480,000	75,634		21,480,000
4	Queens Court	Leicester	143	592,704	48.00	86.35	11,854	2.00%	42,185	623,035	189,887	1,328	433,148	6.85%	6,323,327		2.93%	6,145,000	42,972		6,145,000
5	Regents Court	Leicester	182	790,176	48.00	90.45	15,804	2.00%	53,690	828,062	244,249	1,342	583,813	6.85%	8,522,825		3.24%	8,255,000	45,357		8,255,000
6	The Summit	Leicester	369	2,429,328	48.00	137.16	48,587	2.00%	119,295	2,500,036	597,950	1,620	1,902,086	6.00%	31,701,441		2.80%	30,840,000	83,577		30,840,000
7	Upperton Road	Leicester	536	3,186,950	47.34	125.60	63,739	2.00%	164,635	3,287,846	912,136	1,702	2,375,710	5.95%	42,564,052		2.80%	41,400,000	77,239		41,400,000
8	Newcastle 1	Newcastle	371	2,790,219	49.47	152.03	55,804	2.00%	35,532	2,769,947	642,179	1,731	2,127,768	6.00%	35,462,794		6.77%	33,215,000	89,528		33,215,000
9	Nottingham 2	Nottingham	1,096	6,550,764	47.06	127.01	126,507	1.93%	106,681	6,530,938	1,441,275	1,315	5,089,663	5.85%	87,002,786		3.06%	84,420,000	77,026		84,420,000
10	Trinity Square	Nottingham	700	4,224,907	47.05	128.28	80,361	1.90%	64,090	4,208,636	1,040,199	1,486	3,168,437	6.00%	52,807,283		3.25%	51,145,000	73,064		51,145,000
11	Sheffield 2	Sheffield	520	2,619,888	48.00	104.96	39,976	1.53%	11,223	2,591,135	856,927	1,648	1,734,208	5.75%	30,160,134		3.20%	29,225,000	56,202		29,225,000
12	Sheffield 3	Sheffield	992	5,384,430	45.87	118.33	68,751	1.28%	137,185	5,452,864	1,516,178	1,528	3,936,686	5.75%	68,464,104		3.12%	66,390,000	66,925	3,030,000	69,420,000
13	Snowdon Hall	Wrexham	156	446,787	43.10	66.45	22,339	5.00%	41,044	465,492	283,781	1,819	181,711	7.50%	2,422,809		2.80%	2,355,000	15,096		2,355,000
			5,684	32,821,113	47.30	122.07	609,821	1.86%	958,165	33,169,457	8,726,639	1,535	24,442,818	5.89%	414,828,579	-	3.37%	401,305,000	70,603	3,030,000	404,335,000

## **2. Section 2**

### **2.1. Valuation Conditions and Assumptions**

These are the conditions and Assumptions upon which our valuations and reports are normally prepared and form an integral part of our appointment together with our related Engagement Letter and C&W Terms and Conditions. Unless otherwise referred to in this Valuation Report these conditions and Assumptions apply to the valuation(s) that are the subject of this Valuation Report. We have made certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our valuations that we have not verified as part of the valuation process but rather, as referred to in the Glossary to the RICS Valuation – Professional Standards 2014 (Red Book), have treated as "a supposition taken to be true". In the event that any of these Assumptions prove to be incorrect then our valuation(s) will need to be reviewed.

#### **2.1.1. Basis/Bases of Valuation**

Each of the properties has been valued on the basis/bases set out in Section 1.2 of this Valuation Report and defined in Section 4.2 of this Valuation Report.

#### **2.1.2. Title**

We have not had access to the title deeds of the properties. Unless specifically advised to the contrary by you or your legal adviser, we have made the Assumption that titles are good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also made the Assumption that the properties are free from mortgages, charges or other encumbrances.

Where a Certificate of Title has been made available, we have reflected its contents in our valuation(s). Save as disclosed either in any such Certificate of Title or as referred to in our Valuation Report, we have made the Assumption that there is good and marketable title and that each property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also made the Assumption that each property is free from mortgages, charges or other encumbrances.

Where a Valuation Report contains site plans these are based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, our understanding of the extent of title based on site inspections or copy title plans supplied to us. If verification of the accuracy of these plans is required, the matter must be referred by you to your solicitors.

#### **2.1.3. Condition of structure and services, deleterious materials**

It is a condition of C&W or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

Our valuations have taken account of the general condition of each of the properties as observed from the valuation inspection. Where a separate condition or structural survey has been undertaken and made available to us, we have reflected the contents of the survey report in our valuations, and we may have discussed the report with the originating surveyor.

Due regard has been paid to the apparent state of repair and condition of each of the properties, but a condition survey has not been undertaken, nor has woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or are free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Valuation Report.

Unless access was readily available, we have not been able to gain access to the roof or roof voids and we have thus made the Assumption that inspection of those parts will not reveal defects of which we are not aware, such as would have an adverse effect on the value or the saleability of the properties.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the construction or any alterations in respect of any of the properties, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of our valuation(s), we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the Control of Asbestos at Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Asbestos at Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations have been undertaken to certify that the site is free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of each of the properties are sufficient to support the buildings constructed, or to be constructed thereon. We have also made an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage are provided and are functioning satisfactorily.

In the case of a new property, the construction of which has not been commenced or completed, or of a property built within the last ten years, we have made the Assumption that the construction will be/has been satisfactorily completed and that it will be/has been built under the NHBC Build Mark Scheme, the Premier Guarantee Scheme; or carries a warranty of similar cover in the opinion of your lawyer.

#### **2.1.4. Plant and Machinery**

No allowance has been made for any items of plant or machinery not forming part of the service installations of the building. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

#### **2.1.5. Goodwill**

No account has been taken in our valuation(s) of any business goodwill that may arise from the present occupation of any of the properties.

## 2.1.6. Floor areas and inspections

Unless specified otherwise, floor areas and analysis in this report are based on the following bases of measurement, as defined in RICS Property Measurement:

Office	NIA /IPMS 3
Retail	GIA
Residential	GIA

Unless referred to otherwise in our Valuation Report, we have physically inspected each of the properties and have either carried out a measured survey or have calculated floor areas from plans provided by the Borrower or their agents, supported by check measurements on site. Measurement has been in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.

Effective 1 January 2016, RICS Property Measurement requires office buildings to be measured in accordance with IPMS: Office Buildings. We have reported IPMS office floor areas unless otherwise agreed with you as part of our instruction.

Where we were not instructed to measure and calculate the floor areas, we have applied floor areas provided by the Borrower or their agents. We have made an Assumption that these areas have been measured and calculated in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.

Effective 1 January 2016, RICS Property Measurement requires office buildings to be measured in accordance with IPMS: Office Buildings. However, as previously agreed with you, we are relying on floor areas provided to us. As IPMS areas have not been provided, we are unable to include them in our report.

## 2.1.7. Environmental matters

We have made the enquiries referred to in Section 2 of this Valuation Report regarding environmental matters including contamination and flooding, and we have had regard to any environmental reports referred to in Section 2 of this Valuation Report. However, we have not undertaken a formal environmental assessment.

Where our enquiries have lead us to believe that a property is unaffected by contamination, flooding or other environmental problems, then, unless you have instructed us otherwise, our valuation of that property is based on an Assumption that no contamination or other adverse environmental matters exist in relation to the property sufficient to affect value.

## 2.1.8. Statutory requirements and planning

We have made verbal or written enquiries, or an inspection of the website, of the relevant planning authorities as referred to in Section 2 of this Valuation Report as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We have also sought to ascertain whether any outstanding planning applications exist which may affect any of the properties and whether they are listed or included in a Conservation Area. We have also attempted to verify the existing permitted use of each of the properties, and endeavoured to have sight of any copies of planning permissions. The results of these enquiries are in the "Property information" of this Valuation Report.

Save as disclosed in a Certificate of Title or unless otherwise advised, and unless otherwise referred to in this Valuation Report we have made the Assumption that the building has been constructed in full compliance with valid town planning and building regulations approvals and that where necessary has the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we have also made the Assumption that each of the properties are not subject to any outstanding statutory notices as to construction, use or occupation and that the existing uses of the properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

We have made the Assumption that each of the properties comply with all relevant statutory requirements.

The Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties, when bought or sold, subject to certain exemptions. In respect of any of the subject properties which are not exempt from the requirements of this Directive, we have made an Assumption that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our valuation.

In addition, in England and Wales the Energy Act 2011 includes a provision whereby from April 2018 it will be unlawful to rent out a premises with an EPC which, according to Government proposals issued in February 2015, falls below an E rating. We have asked you or your advisors for information relating to the EPC rating of the properties which are not exempt from these requirements. In those instances where we have not been provided with up to date EPC ratings for affected properties we had made an Assumption that the subject properties meet the requirements to enable the properties to be let after April 2018.

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

In instances where we have valued a property with the benefit of a recently granted planning consent or on the Special Assumption that planning consent is granted, we have made an assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, we must be informed and asked to reconsider our opinion of value. Advice would be required from your lawyer and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which we will reflect in our reconsideration of value.

#### **2.1.9. Defective Premises Act 1972**

No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

#### **2.1.10. Leasing**

We have read all the leases and related documents provided to us, subject to the provisions of the paragraph below. We have made an Assumption that copies of all relevant documents have been sent to us and that they are complete and up to date.

We have not undertaken investigations into the financial strength of any tenant(s). Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that:

- a. where a property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- b. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, our valuations reflect the market's general perception of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

Unless you inform us or we have been able to ascertain to the contrary, we have made the Assumption that the unexpired term of the lease under which the property is held is 70 years.

When we are informed an Assured Shorthold Tenancy (or Contractual Agreement on identical terms if the rent passing is in excess of the limit of an Assured Shorthold Tenancy) is in place, we have made the Assumption that the Tenancy/Agreement is in proper modern form and that the tenant does not have any right to occupation beyond the end of the stated term, or stated extended term.

#### **2.1.11. Legal issues**

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property and our Valuation Report will include a statement to this effect.

#### **2.1.12. Information**

We have made the Assumption that the information provided by you, the Borrower and your respective professional advisers in respect of each of the properties we have valued is both full and correct. We have made the Assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

#### **2.1.13. Estimated reinstatement cost assessment**

We have considered the extent and nature of the building and an estimated reinstatement cost assessment has been undertaken as part of our normal valuation exercise. We have not carried out a formal reinstatement cost assessment through our Building Consultancy Division. Our assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.



The figures set out in our Valuation Report are our assessment of the cost of reconstructing the property at the valuation date. They include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but exclude any allowance for VAT. If you are unable to recover VAT, or can recover part only, you should advise your insurers and increase the Base Sum Insured appropriately. The figures make no allowance for loss of rent during the rebuilding period, nor for inflation, nor the cost of dealing with any contamination which may be present and have to be dealt with prior to reconstruction. The assessment does not provide advice in respect of terrorist damage cover and you should consult with your insurers in respect of this.

We have assumed that the reinstated building and its use would be similar to that existing, and the replacement building would be to the original design, in modern materials, using modern techniques to modern standards.

#### **2.1.14. Deduction of notional purchaser's costs**

The Market Value which we have attributed to each of the properties is the figure we consider would appear in a contract for sale, subject to the appropriate assumptions for this Basis of Value. Where appropriate, we have made an allowance in respect of stamp duty and purchaser's costs.

#### **2.1.15. Taxation**

No adjustment has been made to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

Our valuation figure for each property is that receivable by the willing seller excluding VAT, if applicable.

#### **2.1.16. Landlord and Tenant Act 1987**

The Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable, we have made an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold/head leasehold interest, and therefore disposal into the open market is unrestricted.

#### **2.1.17. Building Society Act 1986**

We confirm that we are not disqualified under Section 13 of the Building Societies Act 1986 from reporting to you.

#### **2.1.18. Properties in the course of development or requiring refurbishment**

Unless otherwise referred to in the Valuation Report, we have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised by the owner of the property or their professional advisers.

Unless otherwise referred to in the Valuation Report, our valuation of the completed building has been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

## 2.2. Definitions of bases of valuations

### 2.2.1. Market value

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "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"

The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:-

"30. The definition of *market value* shall be applied in accordance with the following conceptual framework:

- (a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;
- (b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;
- (c) "on the *valuation date*" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;
- (d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";
- (e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;



- (f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;
  - (g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;
  - (h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;
  - (i) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.
31. The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).
  32. The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
  33. The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.
  34. The determination of the highest and best use involves consideration of the following:
    - (a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,

- (b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account,
- (e) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."

### 2.2.2. Market Rent

Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "The estimated amount for which an interest in real property should be leased on *the valuation date* between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.

The commentary from the Red Book is reproduced below.

- "1.3.2 The definition of *market rent* is a modified definition of *market value*; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.
- 1.3.3 *Market rent* will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the *market rent*. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate.
- 1.3.4. *Market rent* will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may be relet when the existing lease terminates. *Market rent* is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.
- 1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of *market rent*. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the *market rent* should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."

### 2.2.3. Existing Use Value

Existing Use Value as defined in UK Valuation Standard 1.3 of the Red Book and applying the conceptual framework of Market Value which is reproduced above together with the supplementary commentary which is included in items 2-5 of UK VS 1.3. Under UK VS 1.3, the term "Existing Use Value" is defined as follows:

"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 where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost".

### 2.3. Equivalent yields

There are references in this Valuation Report to both NEY (Ann in arr) and TEY (Qly in adv). These terms are defined as follows:-

NEY (Ann in arr) = Nominal equivalent yield (annually in arrears). In order to calculate a NEY (Ann in arr) it is assumed that the rental is paid annually in arrears, even though this is not actually the case.

TEY (Qly in adv) = True equivalent yield (quarterly in advance). In order to calculate a TEY the actual timing of the rental payments is reflected, so that if rent is payable quarterly in advance the term TEY (Qly in adv) is used.

### 2.4. Valuation computer printouts – explanatory notes

Where we have provided copies of computer print outs produced by Argus Valuation - Capitalisation, you should note the following in order to understand the valuations:

#### Valuation summary print out

##### Gross rent

The current gross rent represents the total income receivable from the property at the valuation date. In the case where a rent review is outstanding at the valuation date and a reversionary increase is anticipated, the gross rent includes the reversionary increase as if it were payable at the valuation date.

Similarly, if a lease has expired but for the purpose of the valuation it is assumed that the tenant will renew the lease at current rental value, the gross rent includes the rental value of that particular lease.

##### Net rent

The current net rent represents the current gross rent less any or all of the following:-

- a Ground rent
- b Irrecoverable revenue outgoings
- c Loss of income due to a permanent void allowance.

##### Running yields

The running yield at any given point in time represents the return generated by the net rent as a percentage of the gross value before deduction of purchaser's costs. Where we have made capital deductions or additions to reflect matters such as the cost of works or letting fees, or premium receipts, yields are calculated against a sum equal to the net value plus purchaser's costs and any such capital deductions or minus any such capital receipts.

##### Rounding

The initial, running and equivalent yields are calculated against capital values prior to rounding. The variation in yields calculated before rounding compared with those calculated after rounding is not material.

## **Tenancy details print out**

### **Gross income**

The actual contracted gross income received at the valuation date is shown at the foot of the tenancy schedule. This sum ignores potential increases further to outstanding reviews and lease renewals.

### **Rounded rent**

The rounded rent for each tenancy is reflected in the valuation calculation.

## **2.5. Copyright**

Where this report contains public sector information, this is licensed under the Open Government Licence v1.0.

## **2.6. Letters of Instruction**

Derek Nesbitt, MRICS – Partner  
DTZ Debenham Tie Leung Limited  
125 Old Broad Street  
London  
EC2N 1AR

November 2016

Dear Derek

**INSTRUCTIONS FOR THE PROVISION OF VALUATION AND APPRAISAL SERVICE IN RESPECT OF:**

<b>Property:</b>	The properties listed in Appendix A.
<b>Arrangers:</b>	Barclays Bank plc, HSBC Bank plc, RBC Europe Limited
<b>Security Trustee:</b>	U.S. Bank Trustees Limited
<b>Finance Parties:</b>	Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions
<b>Transactions:</b>	(a) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.À.R.L. under a senior issuer/borrower loan agreement. (b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II MezzCo S.À.R.L. under a mezzanine issuer/borrower loan agreement.
<b>Borrower:</b>	GL Europe RE Holdings S.À.R.L. and BSREP II MezzCo S.À.R.L.
<b>Sponsor:</b>	[Brookfield Strategic Real Estate Partners II]
<b>Arrangers' Contact:</b>	Ivan Browne, <a href="mailto:ivan.browne@rbccm.com">ivan.browne@rbccm.com</a> , +44 (0) 20 7029 7162]
<b>Arrangers' Solicitor:</b>	Lacy Oddy, Allen&Overy LLP, 1 Bishops Sq, London, E1 6AD
<b>Date of Report:</b>	Date of valuation is to be 30 September 2016

Please accept this letter as our formal instruction to prepare a Valuation Report (the "Report") of the Property detailed in Appendix A, which is required for loan security purposes. The preparation of the report shall be on the terms of this letter of instruction and your attached Principal Terms and Conditions of Appointment as Valuers (May 2016 (English Version)) ("Terms of Business") and General Valuation Principles dated May 2016 (English Version) ("Valuation Principles") (together the "Appointment"). If there are any inconsistencies or conflicts (including any disclaimers or limitations of liability or any indemnities) between your standard Terms of Business and this letter of instruction and any attached Appendices, then the requirements contained in this letter of instruction will take precedence and prevail.

In accepting these instructions you confirm and agree the following amendments to your standard Terms of Business:

- a. Clauses 3.3, 3.5 and 3.8 shall be amended such that the words "15 days" shall be deleted and the words "30 days" shall be substituted.
- b. Clause 3.9 shall be amended such that the words "but only in connection with Services used and excluding any administration or cancellation fees and disbursements" shall be added after the words "a fair and reasonable proportion of our fees and any agreed disbursements".
- c. Clause 5 shall be amended such that the word "reasonable" shall be added before the words "travel and subsistence expenses" and the words ", but do not include unused disbursements or administration or cancellation fees" shall be added after the words "standard AA scales".
- d. Clause 6 shall be amended such that words "and you shall indemnify us should any such liability arise" shall be deleted.
- e. Clause 9.2 shall be amended such that the words "(and any abort fee)" shall be deleted and the words "but only in connection with Services used and excluding any administration or cancellation fees and disbursements" shall be added after the words "to which we are committed at the date of termination".
- f. Clauses 4 and 10.4 shall be deleted. Only the first sentence of 10.11 remains, ie "Responsibility for our valuation extends only to the party(ies) to whom it is addressed."
- g. Clause 10.6 shall be amended such that "25% of the value as defined in our appointment, or the Market Value (as defined in the Red Book), or £20 million whichever is the lesser amount" will be deleted and replaced by "£75 million".
- h. Clause 10.7 shall be deleted and replaced with a new clause which shall read "for the avoidance of doubt, we shall be liable to you in respect of any direct losses you may suffer as a result of our negligence." Paragraph 10.1(i) will be deleted.
- i. Clause 10.10 shall be amended such that "£20m" shall be replaced by "£75m". After 'on an each and every claim basis' add 'without an aggregate limit on sum or number of claims'.
- j. Clause 10.12 shall be amended such that the words "the fees demanded as set out in clause 10.11 above (unless agreed otherwise in writing)" be deleted and replaced with the words "the fees reasonably demanded".
- k. Clause 16.1 shall be amended such that the words "in connection with any claim under our policy with them" shall be added after the words "when required by our insurers or other advisors".
- l. Clause 16.2 shall be amended such that the word "written" shall be added before the word "consent" and the words "Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, we both shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you" shall be deleted.
- m. Clause 18 shall be amended such that the words "or delayed" shall be added after the words "unreasonably withheld".
- n. Clause 12.1 shall be amended such that the words "and upon payment of a fee" shall be deleted.

The Property will be charged to Security Trustee on behalf of the Finance Parties as security and your Report will be required to assess the Property's suitability as security and to establish a suitable loan to value ratio at the date of the Report.

#### No Conflict

In accepting this instruction, you confirm and agree that there is no conflict of interest which would render it inappropriate for you to accept this instruction. Please confirm that you will not benefit from this instruction other than by receipt of the Total Fee Agreed. Please clarify in your report how you are managing any situations of potential conflict (if applicable).

#### Disclosure and Confidentiality

To act for us you must adhere to the current RICS Valuation Standards, the Red Book (the "Standards"), meet the definition of an External Valuer and meet the requirements as to competence as set out in the Standards. Also you must have professional indemnity insurance as required by your professional body and as stated in this letter. Please

act on our behalf in accordance with the requisite mandatory provisions of, and appropriate guidance in, the Standards and provide a Report on the Property for the benefit of the Finance Parties.

We would ask you to adopt and state in your report the following definition of Market Value (or, if different, the definition in the current version of the Red Book):

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

Your Report should be addressed and provide for disclosure as specified in Appendix C to this instruction letter.

Any information that is provided to you in connection with this instruction that is not already in the public domain must be kept confidential, and should not be disclosed to any unauthorised third party. You will comply with the requirements of the Data Protection Act 1998.

Your role will involve the preparation of a Report of the Property on the following bases as defined within the Standards;

- a) The current Market Value of the Properties
- b) Market Rent

Please also provide an indication for insurance purposes (which is given solely as a guide and without liability) of the current reinstatement value of the Property.

Please refer to the Requirements listed in Appendix B.

#### **Inspection**

The Report is to be founded upon your visual inspection of as much of the exterior and interior of the Property as is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level within boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which you consider reasonably necessary to fulfil these instructions, having regard to their purpose.

If it is not possible to carry out a substantial part of your visual inspection, this should be stated in the Report.

Whilst undertaking your assessment of the Property you are asked to consider the impact of the Disability Discrimination Act 1995 on your valuation. In particular you are asked to give in the Report your opinion as to whether there are any obvious physical features which might make the Property unreasonably difficult or impossible for a disabled person to use services that might be provided from a property of this type. You are not being asked to provide a formal Disability Discrimination Act assessment.

#### **Personnel and Review**

You shall ensure that all personnel engaged in the preparation of the Report shall be either MRICS or FRICS qualified and have a minimum of three (3) years relevant professional experience, and shall be members of RICS faculties relevant to the services being undertaken.

The production of the Report shall be carried out or supervised by your nominated director or partner, who shall in all cases be a member / fellow of RICS. The Report shall confirm that the valuation has been considered by the firm's valuation committee, that the committee has discussed the valuation with the relevant team and is fully satisfied with the Report and valuation.

The Report shall be signed by two signatories, being:

- a. the individual qualified surveyor who carried out the inspection to which that Report relates; and
- b. the director or partner nominated to supervise the production of the Report.

In addition, the Report and valuation are to be independently peer group reviewed and approved and signed off by an Independent RICS director at your firm, who has not previously acted for the Borrower.

#### **Report Timings**

The final copy of the Report, to include the Report, tenancy schedule(s) and calculations, must be provided electronically no later than 28 November 2016. If any issues arise during your work that you consider should be brought to our attention these should be discussed with us when they occur and in any event, prior to the submission of the final Report. We require eight hard copies of the final Report, complete with appendices and one electronic PDF copy by email or on CD.

An additional hard copy of the Report should be sent by you directly to the Arrangers' Solicitors.

We may provide a copy of the Report to the Sponsor on a non-reliance basis, but we do not wish you to send a copy to the Sponsor directly.

#### **Professional Indemnity Insurance ("PII")**

We require evidence that you have professional indemnity insurance cover as required by your professional body, which must include 6 years run off cover. The total sum insured is agreed to be £75 million.

There must be no annual limit on the number of claims that may be made (provided that the aggregate number of claims in relation to this instruction does not exceed the sums insured referenced in the above paragraph). A copy of your professional indemnity insurance certificate must be provided and be included in your Report as an appendix.

#### **Floor Areas**

Please rely on floor areas provided by the Borrower, but verify them against measurement reports, where available, and comment on any material discrepancies.

#### **Anti-bribery and corruption**

You hereby represent, warrant and undertake that, in connection with: (a) the transactions contemplated by this letter, (b) any matter pertaining directly or indirectly to this letter, including without limitation the negotiation of this agreement and the fulfillment of your obligations hereunder,

- (i) you have not violated and undertake that you will not violate any applicable relevant anti-bribery laws and regulations, including, but not limited to any relevant provision of any applicable anti-bribery laws and regulations in force in the jurisdiction where you and we are domiciled and operate ("Anti-Bribery Laws"), and
- (ii) you have not and undertake that you shall not engage in the following conduct: making of payments or transfers of value, offers, promises or giving of any financial or other advantage, or requests, agreements to receive or acceptance of any financial or other advantage, either directly or indirectly, which have the purpose or effect of public or commercial bribery or acceptance of or acquiescence in bribery, extortion, facilitation payments or other unlawful or improper means of obtaining or retaining business, commercial advantage or the improper performance of any function or activity.

Notwithstanding any other provision to the contrary, we may suspend or terminate this instruction immediately should we become aware of a breach or suspected breach of your representation, warranty or undertaking, or violation by you of Anti-Bribery Laws or where you cause us to violate Anti-Bribery Laws.

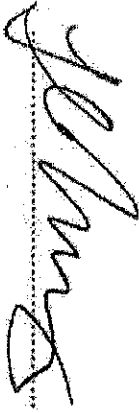


General

If you have any queries or concerns about these instructions please do not hesitate to contact us. Otherwise please confirm your acceptance of these instructions by signing and returning to us the enclosed duplicate copy of this letter within seven calendar days of the date of this letter subsequent to which we look forward to receiving the first draft of the Report within the above timescale.

Yours sincerely

Barclays Bank plc

A handwritten signature in dark ink, appearing to read 'J. Collins', written over a horizontal dotted line.

HSBC Bank plc

RBC Europe Limited

Agreed to and Acknowledged by CUSHMAN & WAKEFIELD LLP

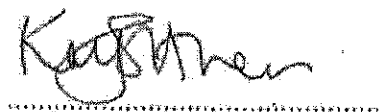
**General**

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Yours sincerely

Barclays Bank plc

HSBC Bank plc



RBC Europe Limited

Agreed to and Acknowledged by CUSHMAN & WAKEFIELD LLP



Name: D. R. NESBITT

Capacity: PARTNER, CUSHMAN & WAKEFIELD

**General**

If you have any queries or concerns about these instructions please do not hesitate to contact us. Otherwise please confirm your acceptance of these instructions by signing and returning to us the enclosed duplicate copy of this letter within seven calendar days of the date of this letter subsequent to which we look forward to receiving the first draft of the Report within the above timescale.

Yours sincerely

**Barclays Bank plc**

**HSBC Bank plc**

**RBC Europe Limited**



Ivan Browne  
Duly Authorised Signatory

Agreed to and Acknowledged by CUSHMAN & WAKEFIELD LLP



Name: D.R. NESBITT

Capacity: PARTNER, CUSHMAN & WAKEFIELD

**Appendix A  
Property**

Type	Property	Borrower	Title Number
Freehold	Land on the North side of Wollaton Road, Radford, Nottingham	GL Europe RE Holdings S.A.R.L.	NT348397
Freehold	Old Rose Tavern, St Peters Street, Nottingham, NG7 3EN	GL Europe RE Holdings S.A.R.L.	NT316383
Freehold	Land on the South side of Midland Way, Nottingham	GL Europe RE Holdings S.A.R.L.	NT437276
Freehold	Land on the North side of Wollaton Road, Nottingham	GL Europe RE Holdings S.A.R.L.	NT431980
Freehold	Land on the North side of Wollaton Road, Nottingham	GL Europe RE Holdings S.A.R.L.	NT433601
Freehold	Land on the North West side of St Peter's Street, Radford	GL Europe RE Holdings S.A.R.L.	NT332092
Freehold	Land and buildings on the North West side of St Peter's Street, Nottingham	GL Europe RE Holdings S.A.R.L.	NT21408
Freehold	Land lying to the North of Wollaton Road, Nottingham	GL Europe RE Holdings S.A.R.L.	NT447918
Freehold	Phase 3, Opal One, Midland Way, Nottingham	GL Europe RE Holdings S.A.R.L.	NT467671
Freehold	Land on the north west side of St Peters Street, Radford	GL Europe RE Holdings S.A.R.L.	NT351286
Leasehold	South Block, Trinity Square, Nottingham demised under the lease dated 30 September 2008 between Norwich Union Life & Pensions Limited and Beach Student Accommodation Fund	GL Europe RE Holdings S.A.R.L.	NT449281
Leasehold	North Block, Trinity Square, Nottingham demised under the lease dated 30	GL Europe RE Holdings S.A.R.L.	NT449276

	September 2008 between Norwich Union Life & Pensions Limited and Beach Student Accommodation Fund		
Freehold	Land and buildings on the North West side of Solly Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK393737
Freehold	Land and buildings on the South East side of Edward Street, Sheffield, S3 70A	GL Europe RE Holdings S.A.R.L.	SYK387005
Freehold	Pickering House, Kenyon Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK582968
Freehold	Mary Page House, 162 Solly Street, Sheffield, S1 4BB	GL Europe RE Holdings S.A.R.L.	SYK495453
Freehold	North West side of Solly Street, Sheffield, S1 4BB	GL Europe RE Holdings S.A.R.L.	SYK496864
Freehold	Land adjoining 188-192 Solly Street, Sheffield, S1 4BB	GL Europe RE Holdings S.A.R.L.	SYK575388
Freehold	Bolsover House, Solly Street, Sheffield, S1 4BW	GL Europe RE Holdings S.A.R.L.	SYK529734
Freehold	Land lying to the north of Solly Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK393702
Leasehold	Meadow Street Hotel, 110 Meadow Street, Sheffield, S3 7BQ demised under the lease dated 18 May 1827 between John Hoyle and John Crossland and Henry Clarke	GL Europe RE Holdings S.A.R.L.	SYK158164
Freehold	Land and buildings on the North East side of Meadow Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK208852
Freehold	Land and buildings on the North side of Burnt Tree Lane, Hoyle Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK275548
Leasehold	Land on the North side of Meadow Street, Sheffield, as demised under the lease dated 18 May 1827 between John Hoyle and John Crossland and Henry Clarke and the lease dated 27 October 1828 between Henry Broomhead, John Crossland and	GL Europe RE Holdings S.A.R.L.	SYK421364

	Henry Clarke and Elizabeth Clarke		
Leasehold	Land and buildings on the South East side of Sudbury Street, Sheffield demised under the lease dated 18 June 1839 between Henry Hodgkinson and others, Francis Wright Everet and John Beckett	GL Europe RE Holdings S.A.R.L.	SYK305063
Freehold	Land on the North West side of Hoyle Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK538579
Freehold	Land on the South East side of Roscoe Road, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK578171
Leasehold	Land and buildings on the North West side of Hoyle Street, Sheffield demised under the lease dated 2 April 2007 between The Sheffield City Council and South Yorkshire One Limited	GL Europe RE Holdings S.A.R.L.	SYK536112
Freehold	Land on the North East side of Malinda Street, Sheffield	GL Europe RE Holdings S.A.R.L.	SYK26122
Leasehold	Land and buildings on the South East side of Sudbury Street, Sheffield demised under the lease dated 12 January 1838 between Henry Hodgkinson, Francis Wright Everet and James Barker	GL Europe RE Holdings S.A.R.L.	SYK305064
Freehold	4 Brookland Road, Leicester, LE2 6AB	GL Europe RE Holdings S.A.R.L.	LT322278
Freehold	Land and buildings at Brookland Road, Leicester	GL Europe RE Holdings S.A.R.L.	LT322276
Freehold	4 Ashford Road, Leicester, LE2 6AA	GL Europe RE Holdings S.A.R.L.	LT43710
Freehold	Rippins Books Ltd, Eastern Boulevard, Leicester, LE2 7BD	GL Europe RE Holdings S.A.R.L.	LT27109
Freehold	40 Rydal Street, Leicester, LE2 7DS	GL Europe RE Holdings S.A.R.L.	LT165742
Freehold	Unit D, Phoenix Yard, Upper Brown Street, Leicester, LE1 5TE	GL Europe RE Holdings S.A.R.L.	LT462954
Freehold	The Elfed Thomas Building, 30 Newarke Street, Leicester, LE1	GL Europe RE Holdings S.A.R.L.	LT321280

	5AJ		
Freehold	Land and buildings on the South side of Newark Street, Leicester	GL Europe RE Holdings S.A.R.L.	LT273804
Freehold	Queens Court, 85 Jarrom Street, Leicester, LE2 7DJ	GL Europe RE Holdings S.A.R.L.	LT381184
Freehold	Regents Court, 35 Rawson Street, Leicester, LE1 6UP	GL Europe RE Holdings S.A.R.L.	LT325948
Freehold	East side of Eastern Boulevard, Leicester	GL Europe RE Holdings S.A.R.L.	LT396764
Freehold	The Summit, Eastern Boulevard, Leicester	GL Europe RE Holdings S.A.R.L.	LT28608
Freehold	The Summit, Eastern Boulevard, Leicester	GL Europe RE Holdings S.A.R.L.	LT7521
Freehold	Marpak House, Eastern Boulevard, Leicester, LE2 7BF	GL Europe RE Holdings S.A.R.L.	LT55575
Freehold	Land at Upperton Road, Leicester	GL Europe RE Holdings S.A.R.L.	LT427781
Freehold	Land on the South East side of 2a Upperton Road, Leicester, LE3 0AD	GL Europe RE Holdings S.A.R.L.	LT459545
Freehold	Land on the South side of Upperton Road, Leicester	GL Europe RE Holdings S.A.R.L.	LT468057
Leasehold	The Old Railway Shed, 2 Upperton Road, Leicester demised under the lease dated 18 February 2015 between Jamie Lewis Residential Lettings Limited and GL Europe Upperton Road Sarl	GL Europe RE Holdings S.A.R.L.	LT468046
Freehold	Land and buildings on the South side of Blandford Square, Newcastle upon Tyne	GL Europe RE Holdings S.A.R.L.	TY322316
Freehold	Student Accommodation and land and buildings at the back of Student Accommodation, Vicarage Hill, Wrexham, LL13 7HN	GL Europe RE Holdings S.A.R.L.	WA842718

## **Appendix B Requirements**

### **Report**

- An executive summary should be included at the front of the Report, which is to include a brief overview of the Property, the current rent (where applicable), Market Rent, Market Value, yield analysis and a SWOT analysis (to cover the fundamental property factors and prospects for rental and capital growth).
- Summarise all assumptions (and the bases thereof) made in preparing the valuation, listing all information referred to in preparing the Report.
- A full description of the location and situation of the Property and the site it occupies to include a full description of its specification, floor areas, construction, building age, car parking and accessibility should be included. Reference should be made to any building and / or technical reports.
- The condition of the Property (including historic / recent capital expenditure) and a review of possible capital expenditure required.

### **Environmental Considerations**

- Please note any environmental factors that you observed during your inspection that could result in any contamination or environmental issues at the property. If possible, investigate historical land uses at the property and comment on whether you believe that there could be risk of contamination/environmental issues as a result.
- Please complete a Land Use Questionnaire and obtain a Groundsure Report (unless waived by the Lenders)
- You should take into consideration the conclusions of the environmental due diligence report to the extent made available to you.
- Comment on the flooding risk to the Property.
- Please confirm whether you consider it is necessary to obtain an up to date environmental risk assessment.

### **Energy Performance Certificate**

- Where a Property has a current Energy Performance Certificate, please attach a copy in the appendix section of the Report and comment separately within the Report on following:
  - The EPC expiry date
  - The rating (A-G)
  - The proposals seen in the 'Recommendations Report' attached to the EPC and any action taken by the Borrower to address
  - If you consider there is merit in the Borrower obtaining a new EPC and briefly explain why

Where a Property does not currently have an EPC, please confirm using the web based register of EPC's provided by Landmark, that there are no records of an EPC being issued. Please comment on the impact on value of the property's EPC rating.

### **Management**

- Comment on any skills required to maximise the Property income and/or Property value.
- Comment on any on-going maintenance requirements.
- Details of the existence of tenant's improvements and any apparently recent significant alterations and extensions.
- Please comment on Fire / Environmental regulations and other appropriate legislation affecting the Property.

### **Planning**

- Planning and Infrastructure investigations, please provide planning history of the Property and comment on factors such as competing properties, local trends, and development or highway proposals.



## **Taxation**

- We have agreed that you will not be providing rateable values. Please comment on the potential impact on tenant demand, rental values and Market Value of the 2017 Rating Revaluation.
- VAT: the current status and, if VAT is not currently applicable, the effect of a waiver or exemption on tenant and purchaser demand, capital and rental values.
- You should make no allowance for any capital gains tax or other taxation liability or claimable allowance which might arise on the letting or sale of the Property. You should make no allowance for any vendor costs in the valuation, although an allowance should be made for normal purchaser's costs.

## **Tenure**

- Review the Report on Title and Certificate of Title provided and comment on the existence, or otherwise, of any restrictive covenants or easements which could affect a future disposal as highlighted in the legal due diligence, and the technical due diligence to the extent delivered to you. The contents of these legal due diligence reports will be reflected in your valuations.

## **Occupational Leases and Rental Income**

- We have agreed that you will not be reviewing occupational leases however you will review the Certificate of Title and Standard Form of Lease prepared by Mischoon De Reya for the Property and comment on the effect on value and marketability.
- Provide details of weighted unexpired lease term and term certain.
- Give your view on the tenant demand for lettings of a similar nature and quality to the Property, to include your assessment of the likely void periods for the Property and what incentives may be necessary to re-let the Property to alternate tenants, together with your assessment of the class of tenants which may be secured.
- Provide an opinion on the effects on market rental value of the terms of the lease(s), particularly the rent review clause, and relevant implications on the valuation of, but not limited to, repairing, alienation, rent review, lease term and privity of contract (if any);
- Provide your view of tenant covenants for the class of the Property in its locality;
- If the Property has multiple occupation, comment on the service charge provisions and whether there are any service charge shortfalls and/or any non-recoverable items of expenditure.
- Comment on historic income trends and your opinion of the sustainability of the income streams adopted in your valuation.

## **Utilities**

- Confirm that the Property is connected to mains gas, electricity, water supplies, soil and surface water drainage.

## **Sector Specific Requirements**

- Comment on the occupancy levels, including historic occupancy levels where applicable
- Comment on key measures of performance such as vacancy levels, gross turnover and rental income.
- Comment on the demand and supply of student accommodation properties, including student-to-bed ratios, in the cities where the properties are located.
- Carry out an analysis of the current and future competition to the Property and provide a map showing this.
- Comment on the impact of tax structures and SDLT on your valuation.
- Provide information on commercialisation of common areas and car park income as well as the Property marketing budget.
- Please confirm if any special assumptions have been made when coming up with your valuation figures, and what the basis for those figures are

### Market Commentary

- An opinion of current commercial property market conditions and detailed information on the national and local market in respect of the type of the Property.
- Comment on the Market Rental Value of the Property and the extent to which the Property is currently under or over rented.
- Provide a trend and explanation of historical yields over the last 10 years for the Property.
- Comment on the prospects for rental and capital growth for the Property during the term of the Transactions.

### Valuation

- A statement as to the valuation method you adopted and a full explanation of the valuation rationale, the rents and yields adopted and the reason for this including an explanation as to which were the most comparable investment and rental transactions. Please provide details of at least three appropriate rental comparables and three appropriate investment comparables, including a full analysis of recent rental evidence from the shopping centre.
- Detailed cash flow modelling as required.
- Comment whether the rental and capital value of the Property is likely to increase / remain static / decrease during the term of the Transactions.
- Advise, if you consider it relevant, that there is a significant prospect of, or potential for change of use or other development of the Property, or those in the vicinity, which would materially affect the value of the Property.
- Comment, where appropriate, on the divisibility of the Property and the impact on value of a sale in parts or as a whole and the relative demand for larger or smaller units.
- Comment on any relevant competing properties or developments together with a location map showing their vicinity to the Property.

### Saleability:

- On the assumption that the Property were to be marketed for sale with effect from the date of valuation, please comment on the length of time you anticipate the marketing of the property would take to achieve a sale and the likely proceeds from that disposal.
- Comment on the types and numbers of buyers in the market for the property.

With regard to the marketing period we ask you to assume that:

- The vendor has comprehensive legal information to satisfy preliminary enquiries;
- The appropriate marketing method is identified and can commence immediately;
- The Property will be freely advertised in the open market and marketing will not be limited to identification of a special purchaser;
- The purchaser is made aware of all factors that can affect value to prevent renegotiation immediately prior to exchange and completion of contracts; and
- There is a high degree of reasonability of achievement

### Loan Security Suitability

- Your opinion of the Property as a lending security in terms of present saleability and sustainability of income from the Property having regard to the tenant profile, specific tenants and the terms of such tenant's occupation and/or required capital expenditure over the term of the Transactions
- Sensitivity analysis showing the impact on capital value of movements in rents and yields. This is to be presented in tabulated form.
- Your assessment of the options available to the Borrower in the event of tenant failure, the viability of those options and commentary on the exit strategy and likely realisable proceeds achievable from these options, (to include but not limited to): vacant possession; auction/private treaty; single unit/portfolio disposal; disposal after re-letting to a single/multiple third party tenant(s); and/or buyout of the operation in a distressed situation.

### Appendices to the Report

We expect that the following would typically be provided: ..

- General location map
- Site Plan (showing Title boundaries)
- Colour Photographs of the Property
- Tenancy Schedule(s)
- Investment and Rental Comparable Schedules
- Copy of the valuation print-out
- Service Charge Schedules (if applicable)
- Valuation Calculations

Please bind a copy of this letter into the Report.

## Appendix C

### Standard Reliance and Disclosure Language

- (1) each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions; and
- (2) each successor, assignee and transferee of each person referred to above,

(each an "Addressee" and together, the "Addressees").

**Transactions means:**

- (a) the issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.A.R.L. under a senior issuer/borrower loan agreement; and
- (b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II MezzCo S.A.R.L. under a mezzanine issuer/borrower loan agreement.

This Report is provided in connection with the Transactions and is addressed to, and is solely for the benefit of the Addressees. It should not be provided, or disclosed in whole or part, without our prior written consent, however, an Addressee is entitled to disclose it on a non-reliance basis:

- a. if the Report is publicly available or if any part is publicly available, only that part which is publicly available, in each case other than as a result of a breach by an Addressee of this provision;
- b. to any of its affiliates and related funds and any of its or their officers, directors, employees, professional advisers, auditors, partners, representatives, agents and insurers;
- c. to any person appointed by any Addressee or by a person to whom paragraph (b) above applies to receive communications, notices, information or documents delivered on its behalf;
- d. if required or requested to do so by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any stock exchange, listing authority or similar body or pursuant to any applicable law or regulation;
- e. in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- f. to any person in connection with or in contemplation of the Transaction;
- g. administrative, settlement or numbering service providers and their professional advisers; and
- h. to any rating agency and their professional advisers,

On the basis that (i) such disclosure is made solely to enable any such person to be informed that the Report has been given and to be made aware of its terms but not for the purposes of reliance, save for Addressees; and (ii) we do not assume any duty or liability to any person to whom such disclosure is made and in preparing this Report we only had regard to the interest to the Addressees.

In addition, the Report or a reference to and summary of the Report (and the methodologies and concepts on which the same is based) may be included in any offering materials or investor presentation materials (whether ongoing or not) related to the Transactions.

For the avoidance of doubt, the aggregate liability cap of £75m shall apply as an aggregate cap between all Addressees and any other assignee or transferee of the addressees who seeks to rely on the reports.

Publication or disclosure of our Valuation Report shall not be permitted by C&W unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to in the Engagement.

25 November 2016

**PRIVATE AND CONFIDENTIAL**

Barclays Bank plc, HSBC Bank plc and RBC Europe Limited  
As Arrangers

- To: (1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions; and
- (2) Each successor, assignee and transferee of each person referred to above,
- (Each an “**Addressee**” and together, the “**Addressees**”).

Dear Sirs,

**Valuation Engagement and Fee Confirmation Letter for Valuation of the Rose 1 Portfolio as at 30 September 2016 in Relation to The Issuance of Commercial Mortgage Backed Notes**

We refer to your instruction letter received on the 25 November 2016, which was emailed to James Lockwood of Cushman & Wakefield, for DTZ Debenham Tie Leung Limited (C&W) to provide a valuation of the Rose 1 Portfolio as at the 30 September 2016 in relation to the issuance of commercial mortgage backed notes.

**The Scope of the Engagement**

Our Engagement is summarised below:

<b>Arrangers:</b>	Barclays Bank plc, HSBC Bank plc and RBC Europe Limited
<b>Security Trustee:</b>	U.S. Bank Trustees Limited
<b>Finance Parties:</b>	Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions.
<b>Transactions:</b>	<p>(a) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.À.R.L. under a senior issuer/borrower loan agreement.</p> <p>(b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II MezzCo S.À.R.L. under a mezzanine issuer/borrower loan agreement.</p>
<b>Borrower</b>	GL Europe RE Holdings S.À.R.L. and BSREP II MezzCo S.À.R.L.

**Sponsor:** Brookfield Strategic Real Estate Partners II  
**Properties:** Rose 1 Portfolio - 13 Student Residential Properties  
**Type of Property:** Student Accommodation Schemes  
**Tenure:** Assumed to be Freehold or Long Leasehold (as advised)  
**Valuation Date:** 30 September 2016  
**Purpose:** Portfolio Valuation as at 30 September 2016 in relation to the issuance of commercial mortgage backed notes

## **1. Compliance with RICS Valuation – Professional Standards 2014**

C&W confirms that the valuations will be prepared in accordance with the appropriate sections of the RICS Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGA") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation – Professional Standards 2014 (the "Red Book"). It follows that the valuations is / are compliant with International Valuation Standards ("IVS").

## **2. Status of valuer and conflicts of interest**

C&W confirms that the valuations shall be undertaken by a suitably qualified valuer, or valuers, who have the knowledge, skills and understanding to undertake the valuations competently and will act as an External Valuer (as defined in the RICS Valuation – Professional Standards 2014) qualified for the purpose of the valuation. C&W and any affiliate do not act as external valuer as defined under the Alternative Investment Fund Managers Directive (AIFMD) legislation, or its equivalent under local law. C&W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing by C&W.

C&W further confirm that we have had previous involvement with the portfolio on behalf of Barclays Bank plc, HSBC Bank plc and RBC Capital Markets (a trading unit of RBC Europe Limited), having provided a Valuation Report for secured lending dated 19 April 2016 for the portfolio's acquisition. However, we do not consider that any conflict arises in preparing the advice requested.

The Addressees are aware of the above previous involvements and have confirmed that they do not consider that any conflict arises in preparing the advice requested.

## **3. Basis of valuation**

In accordance with your instructions, we will undertake our valuation on the following basis:

### **Market Value**

### **Market Rent**

The definitions of Market Value and Market Rent are set out in Schedule 1 attached.

## Assumptions

Valuations carried out by C&W for the purposes of the services identified above will be prepared on the basis that the Assumptions set out in the Valuation Conditions and Assumptions are correct. Your countersignature of this letter represents your confirmation that all of these Assumptions are correct. You must promptly notify C&W in writing if any of the Assumptions are incorrect. Should any amendment to the Assumptions set out in the Valuation Conditions and Assumptions result in an increase in the scope of the Engagement this may result in an appropriate increase in C&W's fees and expenses due under the Terms of the Engagement.

## 4. Other matters

### Purpose

Our Valuation Report will be provided solely for the purpose referred to in the section "The Scope of the Engagement".

### Addressee

Our Reports will be provided to Barclays Bank plc, HSBC Bank plc and RBC Europe Limited as Arrangers and addressed to:

- (1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions; and
- (2) Each successor, assignee and transferee of each person referred to above,

(Each an "Addressee" and together, the "Addressees").

### Staffing & Signatories

The valuations will be supervised and reviewed by Derek Nesbitt, Partner with the assistance of the wider team. Derek Nesbitt / James Lockwood will be responsible for the day-to-day conduct of the instruction.

You have advised that you require our Report to be signed by two signatories, being:

1. the individual qualified surveyor who carried out the inspection to which that Report relates; and

**James Lockwood, MRICS**

2. the director or partner nominated to supervise the production of the Report.

**Derek Nesbitt, MRICS**

In addition, you have requested the Report and Valuation are:

3. to be independently peer group reviewed and approved and signed off by the independent partner at our firm, who has not previously acted for the Borrower.

**Jeremy Payne, MRICS**



## Fees

Our fee for undertaking the Services shall be £xxxxxx. This fee excludes VAT and expenses which shall also be payable pursuant to Clause 3.2 of the C&W Terms and Conditions. As requested, this fee includes the provision of eight hard copies of the Valuation Report and one electronic PDF copy by email or on CD. Where additional copies are required, a charge may be made reflecting the time spent and costs incurred.

Our fees and expenses shall be payable whether or not the transaction proceeds, and in the event that instructions are withdrawn, the fee or a proportion of it will be payable in accordance with Clause 15 of the C&W Terms and Conditions.

Invoices for fees and, where appropriate, expenses shall be issued upon completion of the Valuation Report.

Our invoice will be addressed to and payable by the Sponsor (Brookfield Strategic Real Estate Partners II) to the extent that if the Sponsor does not pay the fee then Brookfield Property Group will pay.

## Limitation of Liability

The aggregate cap on liability in Clause 12.3 of the C&W Terms and Conditions shall be amended in relation to valuations only so that C&W's aggregate liability arising out of, under or in connection with this Engagement shall be £75 million.

## Disclosure and Syndication

### Definitions

- (1) Each issuer, note trustee, security trustee, agent, arranger, bookrunner, note purchaser (including the initial mezzanine note purchaser), hedging counterparty, liquidity facility provider, servicer, special servicer or other support or service provider, each at a senior or mezzanine level, in connection with the Transactions.; and
- (2) Each successor, assignee and transferee of each person referred to above,

(each an "Addressee" and together, the "Addressees").

Transactions means:

- (a) the issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Finance plc to GL Europe RE Holdings S.À.R.L. under a senior issuer/borrower loan agreement; and
- (b) The issuance of commercial mortgage backed notes, the proceeds of which will be on-lent by Student Mezzanine Finance to BSREP II MezzCo S.À.R.L. under a mezzanine issuer/borrower loan agreement.

## Disclosure and Syndication

This Report is provided in connection with the Transactions and is addressed to, and is solely for the benefit of the Addressees. It should not be provided, or disclosed in whole or part, without our prior written consent, however, an Addressee is entitled to disclose it on a non-reliance basis.

- a. if the Report is publicly available or if any part is publicly available, only that part which is publicly available, in each case other than as a result of a breach by an Addressee of this provision;

- b. to any of its affiliates and related funds and any of its or their officers, directors, employees, professional advisers, auditors, partners, representatives, agents and insurers;
- c. to any person appointed by any Addressee or by a person to whom paragraph (b) above applies to receive communications, notices, information or documents delivered on its behalf;
- d. if required or requested to do so by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any stock exchange, listing authority or similar body or pursuant to any applicable law or regulation;
- e. in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- f. to any person in connection with or in contemplation of the Transaction;
- g. administrative, settlement or numbering service providers and their professional advisers; and
- h. to any rating agency and their professional advisers,

On the basis that (i) such disclosure is made solely to enable any such person to be informed that the Report has been given and to be made aware of its terms but not for the purposes of reliance, save for Addressees; and (ii) we do not assume any duty or liability to any person to whom such disclosure is made and in preparing this Report we only had regard to the interest to the Addressees.

In addition, the Report or a reference to and summary of the Report (and the methodologies and concepts on which the same is based) may be included in any offering materials or investor presentation materials (whether ongoing or not) related to the Transactions.

For the avoidance of doubt, the aggregate liability cap of £75m shall apply as an aggregate cap between all Addressees and any other assignee or transferee of the addressees who seeks to rely on the reports.

Publication or disclosure of our Valuation Report shall not be permitted by C&W unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to in the Engagement. For the avoidance of doubt, such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Report are combined with others.

This letter is subject to the laws of England and Wales and any dispute (whether contractual or non-contractually which may arise out of or in connection with this letter shall be subject to the exclusive jurisdiction of the courts of England and Wales.

Clause 8.1 of the C&W Terms and Conditions states that the provision of the services is for the Client's and the Addressee's benefit only. If we are subsequently asked to extend responsibility to other parties, then there will be an additional fee payable, to be agreed, to cover our additional time costs, indemnity and insurance liabilities subject to a minimum of £500, plus VAT.

## Monitoring and Suspension

The valuations may be subject to monitoring by the RICS under its Conduct and Disciplinary regulations.

In the event that we resume performance of the Services following a suspension of work arising from the exercise in Clause 5.1 of the C&W Terms and Conditions, upon our resumption of work, any date for completion of any part of the Services shall be extended by the full period of any suspension.

## Terms and Conditions

The terms and Conditions governing this Engagement shall be the C&W Terms and Conditions (attached for your ease of reference), and this Engagement Letter (including the attached Valuation Conditions and Assumptions).

I would be grateful if you would sign and date the enclosed copy of this letter and return the same to me by way of confirmation of your company's acceptance of the above terms and conditions.

Yours faithfully,



**Derek Nesbitt MRICS**  
**Director**  
**RICS Registered Valuer**  
For and on behalf of  
DTZ Debenham Tie Leung Limited  
Direct: +44 (0)161 455 3790  
Mobile: +44 (0)7747 008426  
derek.nesbitt@cushwake.com



**Jeremy Payne MRICS**  
**Senior Director**  
**RICS Registered Valuer**  
For and on behalf of  
DTZ Debenham Tie Leung Limited  
Direct: +44 (0)121 697 7246  
Mobile: +44 (0)7771 604531  
jeremy.payne@cushwake.com

## Acceptance of C&W Engagement Letter and the C&W Terms and Conditions

I have read the C&W Engagement Letter, the Valuation Conditions and Assumptions and the C&W Terms and Conditions and hereby confirm this Engagement on the basis of the Terms of Business.

Signature



Name

JAMES THOMAS

Position & Company

DIRECTOR, BARCLAYS

Date


29/11/16

## Terms and Conditions

The terms and Conditions governing this Engagement shall be the C&W Terms and Conditions (attached for your ease of reference), and this Engagement Letter (including the attached Valuation Conditions and Assumptions).

I would be grateful if you would sign and date the enclosed copy of this letter and return the same to me by way of confirmation of your company's acceptance of the above terms and conditions.

Yours faithfully,



**Derek Nesbitt MRICS**  
**Director**  
**RICS Registered Valuer**  
For and on behalf of  
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Direct: +44 (0)161 455 3790  
Mobile: +44 (0)7747 008426  
derek.nesbitt@cushwake.com



**Jeremy Payne MRICS**  
**Senior Director**  
**RICS Registered Valuer**  
For and on behalf of  
DTZ Debenham Tie Leung Limited  
Direct: +44 (0)121 697 7246  
Mobile: +44 (0)7771 604531  
jeremy.payne@cushwake.com

## Acceptance of C&W Engagement Letter and the C&W Terms and Conditions

I have read the C&W Engagement Letter, the Valuation Conditions and Assumptions and the C&W Terms and Conditions and hereby confirm this Engagement on the basis of the Terms of Business.

Signature



Karl Allen

Name

Director

Position & Company

Transaction Management Group  
EMEA Debt Capital Markets

HSBC Bank plc

Date

29 November 2016

## Terms and Conditions

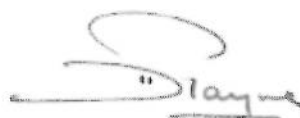
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I would be grateful if you would sign and date the enclosed copy of this letter and return the same to me by way of confirmation of your company's acceptance of the above terms and conditions.

Yours faithfully,



**Derek Nesbitt MRICS**  
Director  
RICS Registered Valuer  
For and on behalf of  
DTZ Debenham Tie Leung Limited  
Direct: +44 (0)161 455 3790  
Mobile: +44 (0)7747 008426  
derek.nesbitt@cushwake.com



**Jeremy Payne MRICS**  
Senior Director  
RICS Registered Valuer  
For and on behalf of  
DTZ Debenham Tie Leung Limited  
Direct: +44 (0)121 697 7246  
Mobile: +44 (0)7771 604531  
jeremy.payne@cushwake.com

## Acceptance of C&W Engagement Letter and the C&W Terms and Conditions

I have read the C&W Engagement Letter, the Valuation Conditions and Assumptions and the C&W Terms and Conditions and hereby confirm this Engagement on the basis of the Terms of Business.

Signature



Name

Ivan Browne  
Duly Authorised Signatory

Position & Company

Date

30/11/2016

## SCHEDULE 1:

### C&W Residential Property Valuation Engagement Letter

#### Definitions of the Bases of Valuation

### Market value

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "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"

The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:-

- "30. The definition of *market value* shall be applied in accordance with the following conceptual framework:
- (a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;
  - (b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;
  - (c) "on the *valuation date*" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;
  - (d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";
  - (e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;



- (f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;
  - (g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;
  - (h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;
  - (i) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.
31. The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).
32. The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
33. The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.
34. The determination of the highest and best use involves consideration of the following:
- (a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
  - (b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account,

- (c) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."

## Market Rent

Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "The estimated amount for which an interest in real property should be leased on *the valuation date* between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.

The commentary from the Red Book is reproduced below.

- "1.3.2 The definition of *market rent* is a modified definition of *market value*; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.
- 1.3.3 *Market rent* will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the *market rent*. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate.
- 1.3.4. *Market rent* will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may be relet when the existing lease terminates. *Market rent* is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.
- 1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of *market rent*. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the *market rent* should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."

## Projected Market Value of residential property

Projected Market Value (PMV) as defined in UK Valuation Standard 3.3 of the Red Book. Under UKVS 3.3 the term "Projected Market Value" means: "The estimated amount for which an asset is expected to exchange at a date, after the *valuation date* and specified by the valuer, 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."

The commentary from the Red Book is reproduced below.

- "1. The date specified by the valuer must be stated clearly whenever a PMV is provided. It should reflect the period that the valuer considers will be necessary for adequate marketing and the completion of negotiations.



2. This basis should be used to provide clients with an estimated valuation in respect of a future exchange, assuming that marketing begins on the date that the valuation is prepared.
3. The definition of PMV is based on *market value*, save for the stipulation that the valuer's estimate should reflect what the amount is forecast to be at a future, specified date. The IVS Framework, paragraphs 30-35, should therefore apply, with the exception that the phrase 'on the *valuation date*' is modified as follows:

**'... at a date, after the valuation date and specified by the valuer ...'**

The *valuation date* is the date on which the estimate is given, but represents the valuer's opinion of anticipated market changes during the period up to the specified date. It reflects facts, market sentiment and public forecasts existing at the *valuation date*. The PMV is therefore time-specific, as of a given date and, because markets and market conditions may change, may be incorrect or inappropriate at another time. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise occur.

4. PMV is designed to provide residential mortgage lenders with a simple numeric indication of the valuer's opinion of short-term market trends, and it must be used only for this purpose. It recognises that most reports for this purpose are based on a simple pro-forma, and that the degree of market analysis and commentary required in commercial lending situations is inappropriate.
5. The purpose of PMV is simply to illustrate the valuer's opinion of whether the market is likely to fall, rise or remain static in the period that it is anticipated will be necessary to complete the sale. Values can change rapidly due to unpredictable events, thus an earlier provision of a PMV is not a substitute for a current *market value*."

## Repossession proceedings

Valuations of residential property for the purpose of possible possession proceedings, or the proposed sale of a repossessed property, shall be on the basis of projected market value (PMV), subject to the following special assumptions that:

- during the marketing period the property has been unoccupied and all furnishings and fittings have been removed; and
- the vendor (the mortgagee) has to sell the property within a reasonable period to recover the secured debt.

The commentary from the Red Book is reproduced below.

- "1. Projected market value (PMV, see UKVS 3.3) is used in relation to possession proceedings and the marketing of repossessed property.
2. The requirement to assume that the property has been empty means that the valuer has to take into account the adverse effect this may have on its marketability.
3. A valuation on the basis of PMV, in connection with possession proceedings, will exclude the value of furnishings and fittings, although it is likely that their removal will have an adverse impact on marketability and the value of the property.
4. The conceptual framework for *market value* in VS3.2 applies, but the second *special assumption* does slightly modify 'and without compulsion'. While a mortgagee is not compelled to sell, there is a requirement to capitalise a non-performing asset. There is therefore less flexibility than a typical owner-occupier would have. In certain market conditions this could affect the price that could be achieved.

5. The mortgagee as vendor has a duty to secure the best price available in the prevailing market conditions and has to act reasonably. If the mortgagee imposes restrictions on the available marketing period, then these should be identified by the valuer in any *special assumptions* made.
6. In Scotland, in recognition of the Single Survey the *basis of value* for a lender's repossessed property, which is being exposed to the market, will be the same as any other property being brought to the market - that is, *market value*. Should the lender require any other method of valuation, this must be made clear in the report."

## Existing Use Value

Existing Use Value as defined in UK Valuation Standard 1.3 of the Red Book and applying the conceptual framework of Market Value which is reproduced above together with the supplementary commentary which is included in items 2 – 5 of UK VS 1.3. Under UK VS 1.3, the term "Existing Use Value" is defined as follows:- "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 where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".

## **Valuation Conditions and Assumptions for Residential Portfolio**

These are the conditions and Assumptions upon which our valuations and reports are normally prepared and form an integral part of our appointment together with our related Engagement Letter and C&W Terms and Conditions. These conditions and Assumptions apply to the valuations that will be the subject of this instruction. We shall make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our valuations that we will not verify as part of the valuation process but rather, as per the Glossary to the RICS Valuation – Professional Standards 2014 (Red Book), will treat as "a supposition taken to be true". In the event that any of these Assumptions prove to be incorrect then our valuations will need to be reviewed.

### **1. Basis/Bases of Valuation**

The properties will be valued on the bases set out in the Engagement Letter as those terms are defined in the Schedule attached thereto.

### **2. Title**

We will not have access to the title deeds of the properties. Unless specifically advised to the contrary by you or your legal adviser, we shall make the Assumption that titles are good and marketable and are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We shall also make the Assumption that the properties are free from mortgages, charges or other encumbrances.

Where Certificates of Title are available, we will reflect their content in our valuations. Save as disclosed either in any such Certificates of Title or as referred to in our Report, we will make the Assumption that there are good and marketable titles and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We will also make the Assumption that the properties are free from mortgages, charges or other encumbrances.

Where a Valuation Report is required to contain site plans these will be based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, our understanding of the extent of title based on site inspections or copy title plans supplied to us. If verification of the accuracy of these plans is required, the matter must be referred by you to your solicitors. If the properties being valued are to be developed, we shall make the Assumption that your legal adviser is satisfied that the extent of the land/property is sufficient to accommodate the developments valued, as we will not be carrying out a measured survey for this purpose, as such an exercise is not part of your valuation instructions.

### **3. Condition of structure and services, deleterious materials**

It is a condition of C&W or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or give warranties as to, the condition of the structure, foundations, soil and services.

Our valuations will take account of the general condition of the properties as observed from the valuation inspection. Where separate condition or structural surveys have been undertaken and made available to us, we shall reflect the contents of the survey report in our valuations, but may need to discuss the report with the originating surveyor.

Due regard will be paid to the apparent state of repair and condition of the properties, but a condition survey will not be undertaken, nor will woodwork or other parts of the structures which are covered, unexposed or inaccessible, be inspected. Therefore, we will be unable to report that the properties are structurally sound or are free from any defects. We will make an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Valuation Report.

Unless access is readily available, we will not be able to gain access to the roof or roof voids and we shall thus make the Assumption that inspection of those parts would not reveal defects of which we are not aware, or would have an adverse effect on the value or the saleability of the properties.

We will not arrange for investigations to be made to determine whether high alumina cement concrete, woodwool shuttering, calcium chloride additive, asbestos or any other deleterious material have been used in the construction or any alterations, and therefore we will not be able to confirm that the properties are free from risk in this regard. For the purposes of our valuations, we will make an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We will not carry out asbestos inspections and will not act as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of the Asbestos at Work Regulations 2002. We will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations will be undertaken to certify that the sites are free from any defect as to foundations. We will make an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed, or to be constructed thereon. We will also make an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the properties.

No tests will be carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, we will make an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

In the case of new property, a construction of which has not been commenced or completed, or a property built within the last ten years, we shall make the Assumption that the construction has been satisfactorily completed and that it has been built under the NHBC Buildmark Scheme, the Premier Guarantee Scheme; or carries a warranty of similar cover in the opinion of your lawyer.

## **4. Plant and Machinery**

No allowance will be made for any items of plant or machinery not forming part of the service installations of the buildings. We will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

## 5. Goodwill

No account will be taken in our valuations of any business goodwill that may arise from the present occupation of the properties.

## 6. Floor areas and inspections

We will physically inspect the properties and will either carry out a measured survey or will calculate floor areas from plans provided by the borrower, supported by check measurements on site. Measurement will be in accordance with the RICS Professional Statement RICS Property Measurement 1<sup>st</sup> Edition 2015.

We will physically inspect the properties but will apply floor areas provided by the borrower. We shall make an Assumption that these areas have been measured and calculated in accordance with the RICS Professional Statement RICS Property Measurement 1<sup>st</sup> Edition 2015.

## 7. Environmental matters, including flooding

We shall make enquiries of the relevant Local Authority website and of the local Environmental Health Officers regarding environmental matters including contamination and flooding. We shall also make enquiries of the Environment Agency website regarding flooding. We shall have regard to any environmental reports which may be produced. However, we shall not provide a formal environmental assessment.

However, if our enquiries or any reports indicate the existence of environmental problems without providing method statements and costings for remedial works, then we may not be able to issue a Valuation Report except on the Special Assumption that the subject properties are assumed NOT to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and our Valuation Report may include a statement that we have made a Departure from the requirements of the RICS Valuation – Professional Standards 2104. In these circumstances, our Valuation Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently our valuations should be reviewed.

Where our enquiries lead us to believe that the properties are unaffected by contamination or other environmental problems, including the risk of flooding, then, unless you instruct us otherwise, our valuations will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value.

If any of the properties lie within or close to a flood plain, or have a history of flooding, we shall make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

Depending on the nature of the investigations made, our Valuation Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other environmental problems, then this might reduce the values reported.

## 8. Statutory requirements and planning

We will make verbal or written enquiries of the relevant planning authorities as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We will also seek to ascertain whether any outstanding planning applications exist which may affect the properties, and whether they are listed or included in a Conservation Area. We shall also attempt to verify the existing permitted use of the properties, and endeavour to have sight of any copies of planning permissions.

Save as disclosed in a Certificate of Title or unless otherwise advised, we shall make the Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals and, if necessary, have the benefit of current Fire Certificates. Similarly, we shall also make the Assumption that the properties are not subject to any outstanding statutory notices as to their construction, use or occupation and that the existing uses of the properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

We shall make the Assumption that the properties comply with all relevant statutory requirements.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties, when bought or sold, subject to certain exemptions. In respect of any of the subject properties which are not exempt from the requirements of this Directive we shall make an Assumption that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our valuation.

In addition, the Energy Act 2011 includes a provision whereby from April 2018 it will be unlawful to rent out a premises with an EPC rating which, according to Government proposals issued in February 2015, falls below an E rating. We will ask you or your advisors for information relating to the EPC rating of those properties which are not exempt from these requirements. In those instances where we are not provided with an up to date EPC rating for affected properties we will make an Assumption that the subject properties meet the minimum requirements to enable the properties to be let after April 2018.

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We will make an Assumption that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

Certain planning authorities will not provide verbal information and require a formal written application for information. Some authorities charge for the information supplied. In such cases we may discuss with you whether to obtain the information and also the extent to which a Valuation Report issued without the receipt of such information or prior to receipt of formal response should be qualified. We would look to you to recompense us for any costs levied upon us by the authority in this matter.

In instances where we are to value property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, we will make an assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the property, or the area in which it is located) within a period of three months of the granted of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, we must be informed and asked to reconsider our opinion of value. Advice would be required from your lawyer and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which we will reflect in our reconsideration of value.

## **9. Defective Premises Act 1972**

No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972.

## **10. Leasing**

We will read all the leases and related documents provided to us, subject to the provisions of paragraphs 11 and 12 below. We will make an Assumption that copies of all relevant documents will be sent to us and that they are complete and up to date.

We will not undertake investigations into the financial strength of any tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we will make an Assumption that:

- i. where a property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- ii. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, our valuations will reflect the market's general perception of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

We will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

We shall make an Assumption that both the landlord and the tenant will perform their respective Covenants under any lease, to include those related to the repair of the building, unless we are informed or can reasonably ascertain anything to the contrary. We shall make Assumptions that the properties as arranged and used are in accordance with the leases, that there are no tenancies or sub-tenancies for any part of the properties other than those of which we have been informed, that there are no unusual restrictions on assignment or sub-letting of the properties for residential purposes, that any lease of the properties correspond with copy leases that we are given, that the commencement dates are as stated and that a formal leases were entered into, and that any works and relevant dates have been adhered to.

Unless you are informed to the contrary, we shall make the Assumption that the unexpired term of the leases is 70 years.

We will make an Assumption that the lease contains no unusually onerous or beneficial covenants. We will make a further Assumption that the lease contains no option for the landlord to obtain possession of the property if he intends to redevelop the property or, if a flat, the whole or a substantial part of the premises in which the flat is contained. This should be verified by your lawyers and we should be informed if there is such a right for the landlord to obtain possession, as our valuation may be affected.



When we are informed an Assured Shorthold Tenancy (or Contractual Agreement on identical terms where the rent passing is in excess of the limit of an Assured Shorthold Tenancy) is in place, we shall make an Assumption that the Agreement is in proper modern form and that the tenant does not have any rights of occupation beyond the end of the stated term, or stated extended term.

## **11. Legal issues**

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property and our Valuation Report will include a statement to this effect.

## **12. Information**

We shall make the Assumption that the information provided by the borrower in respect of the properties to be valued is both full and correct and our Valuation Report will contain a statement to this effect. We shall make the Assumption that details of all matters relevant to value within their collective knowledge, for example prospective lettings, rent reviews, legal aspects, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

## **13. Estimated reinstatement cost assessment**

We will consider the extent and nature of the buildings with an estimated reinstatement cost assessment being undertaken as part of our normal valuation exercise. We will not carry out a formal reinstatement cost assessment through our Building Consultancy Division. Our assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.

The figures set out in our Valuation Report will be our assessment of the cost of reconstructing the properties at the valuation date. They will include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but will exclude any allowance for VAT. If you are unable to recover VAT, or can recover part only, you should advise your insurers and increase the Base Sum Insured appropriately. The figures will make no allowance for loss of rent during the rebuilding period, nor for inflation, nor the cost of dealing with any contamination which may be present and have to be dealt with prior to reconstruction. The assessment will not provide advice in respect of terrorist damage cover and you should consult with your insurers in respect of this.

We will assume that the reinstated buildings and their use will be similar to that existing, and the replacement buildings will be to the original design, in modern materials, using modern techniques to modern standards.



## **14. Deduction of notional purchaser's costs**

The Market Value which we will attribute to each of the properties is the figure we consider would appear in a contract for sale, subject to the appropriate assumptions for this Basis of Value. Where appropriate, we will make allowances in respect of stamp duty and purchasers' costs.

## **15. Taxation**

No adjustment will be made to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance will be made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

Our valuation figure for each property will be that receivable by the willing seller excluding VAT, if applicable.

## **16. Building Society Act 1986**

We will confirm that we are not disqualified under Section 13 of the Building Societies Act 1986 from reporting to you.

## **17. Properties in the course of development or requiring repair/refurbishment**

Unless specifically agreed to the contrary, our fee assumes that we will be provided with information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date. Normally such figures will be provided by the quantity surveyors involved in the construction programme. Unless specifically instructed to the contrary we will be relying upon these figures, and the borrower should make this fact known to them. Alternatively, we can arrange for independent quantity surveyors to provide an assessment at an additional fee charge.

If any of the buildings are in the course of construction then our valuation of the completed building will be based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specification, current British Standards and any relevant codes of practice. We will also make an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

## **18. Monitoring**

The compliance of the valuations undertaken in accordance with RICS Valuation – Professional Standards 2014 may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

## **Terms and Conditions**

### **Clause 1 - Definitions**

In the Terms and Conditions and the Engagement Letter the following terms shall have the following meanings:-

- 1.1 "Client": the person, firm or company to whom C&W is to provide Services in accordance with the Terms of Business.
- 1.2 "C&W": DTZ Debenham Tie Leung Limited, company number 02757768, whose registered office is at 125 Old Broad Street, London, EC2N 1AR; telephone: +44 (0)20 3296 3000 and, where appropriate, any subsidiary and/or associated company of DTZ Debenham Tie Leung Limited and/or any holding company of DTZ Debenham Tie Leung Limited and/or any subsidiary and/or any associated company of such holding company.
- 1.3 "Terms and Conditions": these standard terms and conditions of business.
- 1.4 "Engagement": the Client's appointment of C&W to provide particular Services pursuant to the Terms of Business.
- 1.5 "Engagement Letter": The C&W letter for a C&W business line issued to the Client which identifies particular Services to be provided by it and that sets out other terms and conditions that shall form part of the Engagement contract between C&W and the Client together with the Terms and Conditions. Where the context admits, documents cross referenced and/or attached to the C&W letter shall form part of the Engagement Letter.
- 1.6 "Force Majeure Event": an event falling within the definition set out at Clause 14.1.
- 1.7 "Intellectual Property Rights": all patents, trademarks, copyrights and design rights (whether registered or not and all applications for any of the foregoing), and all rights of information, data, know-how or experience whether patentable or not whensoever and howsoever arising and all renewals and extensions thereof.
- 1.8 "Laws" means all applicable laws, regulations, regulatory requirements and codes of practice of any relevant jurisdiction, as amended and in force from time to time, including without limitation, Proceeds of Crime Act 2002, Money Laundering Regulations 2007, The Bribery Act 2010 and Data Protection Act 1998.
- 1.9 "Party": C&W or the Client as the case may be.
- 1.10 "Services": services falling within the known areas of expertise and specialisation of C&W as more particularly identified in an Engagement Letter or, where no Engagement Letter has been issued, that are the subject of a Client instruction to C&W to proceed to act on the Client's behalf.
- 1.11 "Terms of Business": Subject to 24.7, the Terms and Conditions and any applicable Engagement Letter.

### **Clause 2 - Scope of Business**

- 2.1 Where the Client appoints C&W to provide Services, the appointment shall be on the basis of the Terms and Conditions and any applicable Engagement Letters. The purpose of an Engagement Letter shall be to address business line and project specific issues, including the precise scope of Services, timescales for deliverables and fee levels as well as certain other terms and conditions.
- 2.2 In carrying out the Services, C&W shall exercise the reasonable care and skill to be expected of a competent provider of services similar in scope, nature and complexity to the Services. No other warranty or representation, express or implied, shall apply under and/or in connection with the Engagement.

### **Clause 3 - Fees and Expenses**

- 3.1 All fees for performance of the Services shall be calculated in accordance with the fee structure set out in the Engagement Letter.
- 3.2 The Client shall reimburse to C&W all expenses properly incurred by it in the performance of the Services, including without limitation, travel expenses, accommodation, subsistence, telephone, fax, postage, copying, photography, advertising and any other goods and services purchased.
- 3.3 C&W reserves the right to require payments to be made on account before commencing or completing any Services. In such event, the amount of the on account payment shall be calculated having regard to the programme for performance of the Services and the likely timing and amounts of expenses to be incurred.
- 3.4 Fees stated shall be exclusive of value added tax which, where applicable, shall be charged to the Client at the prevailing rate.

### **Clause 4 - Payment**

- 4.1 Invoices are payable by the client within 14 days of the date of the invoice.
- 4.2 All payments due to be made to C&W under the Terms of Business shall be made without set-off or counterclaim and free of and without deduction for any taxes, levies or duties of any description. If the Client is required at any time by any applicable Law to make any such deduction from any payment, the sum due in respect of such payment shall be increased such as shall result (notwithstanding such deduction in C&W's receipt on its due date) in a net sum equal to the sum C&W would have received had no such deduction been required.
- 4.3 C&W may charge the Client interest (both before and after any judgment) on the balance of any unpaid invoice, at the rate of 3 % per annum over the Bank of England base rate. Such interest shall run from the

due date for settlement of the invoice until the date payment of the balance is received.

#### **Clause 5 - The Client's Obligations**

- 5.1 The Client shall pay to C&W all fees, expenses and value added tax, as required pursuant to Clauses 3 and 4. C&W may suspend and/or cease further work on behalf of the Client in the event of none, partial or late payment of any C&W invoice.
- 5.2 The Client shall provide to C&W all information reasonably required, and at the necessary times, to enable C&W to carry out the Services pursuant to the Terms of Business.
- 5.3 The Client acknowledges that C&W is entitled to rely upon the accuracy, sufficiency and consistency of any information supplied to it by the Client. C&W shall have no liability for any inaccuracies contained in any information provided by the Client or any third party on behalf of the Client.
- 5.4 The Client authorises C&W to speak to or meet with any other person it may need to contact in order to provide the Services. C&W may release to such person for the purpose of the Services any information reasonably necessary to perform the Services and which it has obtained during the Engagement. C&W shall not be liable for any use subsequently made of that information.

#### **Clause 6 - Intellectual Property**

- 6.1 C&W is the beneficial owner of all Intellectual Property Rights arising out of or in connection with the provision of the Services to the Client.
- 6.2 Subject to all payments due under the Engagement having been paid, the Client shall have an irrevocable, royalty free, non-exclusive licence to copy and use all materials created by or on behalf of C&W (and in relation to which C&W is the beneficial owner of the Intellectual Property Rights) for any purpose relating to the Engagement.

#### **Clause 7 – Electronic Communications**

- 7.1 C&W shall not be liable for any loss arising from the Client's receipt of any information, data or communications supplied or sent by C&W electronically. The Client shall use all reasonable procedures to seek to ensure that any materials sent by any electronic medium and/or by computer disc to C&W are virus free.
- 7.2 C&W may communicate with the Client by email.

#### **Clause 8 – Documents**

- 8.1 The provision of the Services is for the Client's benefit only. No part of any report or advice produced by C&W for the Client shall be reproduced, transmitted, copied or disclosed to any third party without the prior written consent of C&W and C&W shall not be liable to any third party which relies upon any such report or advice.
- 8.2 After completing an Engagement, C&W shall be entitled to keep any Client papers and documents held while payments due under the Engagement are outstanding.

- 8.3 C&W shall keep its Engagement files for 6 years after issue of C&W's final invoice, on the basis that C&W shall have the Client's authority to destroy the files upon the expiry of that period unless the Client has beforehand requested in writing the return of Client papers or documents. C&W shall not be liable for any loss of documentation after the stated retention date.

- 8.4 The Client shall be responsible for C&W's charges in producing any documentation which the Client requires in order to comply with a third party request for disclosure under the Freedom of Information Act 2000 (FOIA). For the avoidance of doubt, the Client, not C&W, shall liaise with such third party.

#### **Clause 9 - Confidentiality**

- 9.1 C&W shall seek the Client's prior consent to C&W announcing without limitation, through advertising, and by references in proposals or submissions to prospective clients, that they are providing or have provided the Services to the Client. Such consent shall not be unreasonably withheld or delayed.
- 9.2 The Client shall keep confidential and not disclose to any other person (whether before or after termination or expiry of the Engagement): (a) any information received by it in respect of the methodologies and/or technologies used by C&W in providing the Services; (b) the details of the commercial terms on which C&W provides the Services; and (c) any other information in respect of C&W's business activities which comes into its possession as a consequence of C&W providing the Services and which is not publicly available.
- 9.3 C&W shall keep confidential and not disclose to any other person (whether before or after termination or expiry of the Engagement) any information in respect of the Client's business activities which comes into its possession as a consequence of C&W providing the Services and which is not publicly available.
- 9.4 The provisions of Clause 9 shall not apply to either Party to the extent that disclosure is required by Law or regulatory authorities or to the respective professional advisers of the Parties.

#### **Clause 10 – Professional Indemnity Insurance**

- 10.1 C&W shall effect and maintain, for a period of 6 years from completion of any Engagement, professional indemnity insurance with a limit of indemnity of no less than £10 million provided always that such insurance remains available at commercially reasonable rates.

#### **Clause 11 - Non-Solicitation by Client**

- 11.1 Subject to Clause 11.2, the Client shall not offer employment to any employee of C&W working on an Engagement for the Client or induce or solicit any such employee to take up employment with the Client for a period of 6 months following the end of any involvement by that person with any Engagement for the Client.
- 11.2 Nothing in Clause 11.1 will prohibit the Client from offering employment to an employee of C&W who has responded to a publicly available advertisement.
- 11.3 In the event that the Client breaches Clause 11.1, C&W shall be entitled to be paid compensation by the Client up to 6 months salary of the employee concerned

#### **Clause 12 - Limitation of Liability**

- 12.1 Nothing in the Engagement Letter or Terms and Conditions will limit or exclude a party's liability for:
- (a) death or personal injury caused by its negligence;
  - (b) fraud or fraudulent misrepresentation; or
  - (c) any other liability which cannot be limited or excluded by applicable Law.
- 12.2 Subject to Clause 12.1, C&W will not have any liability, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, to the Client or any third party for any loss of profit, whether direct or indirect, or for any indirect or consequential loss arising under or in connection with the Engagement.
- 12.3 Subject to Clause 12.1 and clause 12.2 and notwithstanding anything to the contrary contained in the Engagement, C&W's total liability to the Client and any third party, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, arising under or in connection with the Engagement will be limited to an aggregate of the fees payable by the Client for the Engagement.
- 12.4 Without prejudice to the other sub-clauses of Clause 12, where the Engagement involves C&W being appointed as part of a Client project team, liability for loss and/or damage arising under or in connection with the Engagement shall be limited to that proportion of the Client's loss and/or damage which it would be just and equitable to require C&W to pay having regard to the extent of C&W's responsibility for the same and on the basis that all other Client consultants and contractors shall be deemed to have provided contractual undertakings on terms no less onerous than this Clause 12.4 to the Client in respect of the performance of their services in connection with the project and that there are no exclusions of or limitation of liability nor joint insurance or co-insurance provisions between the Client and any other party referred to above and on the basis they shall be deemed to have paid to the Client such proportion which would be just and equitable for them to pay having regard to the extent of their responsibility.

- 12.5 This Clause 12 will survive termination of the Engagement.

#### **Clause 13 – Money Laundering and Anti-Bribery Procedures**

- 13.1 The Client shall provide all necessary cooperation so as to ensure that C&W and its associates are able to discharge their obligations in respect of all Laws, and those specifically relating to money laundering prevention and the avoidance of other financial crimes.
- 13.2 The Client shall itself comply with such obligations.

#### **Clause 14 – Force Majeure**

- 14.1 Neither Party shall be deemed to be in default or liable to the other Party for any matter whatsoever for any delays in performance or from failure to perform or to comply with the Terms of Business due to any cause beyond that Party's reasonable control including, without limitation, acts of God, acts of Government or other competent regulatory authority, telecommunications, network operators, war or national emergency, riots, civil commotion, fire, explosion, flood, epidemic, lock-outs, strikes and other industrial disputes (in each case, whether or not relating to that Party's workforce).
- 14.2 Each Party agrees to give notice forthwith to the other upon becoming aware of a Force Majeure Event, such notice to contain details of the circumstances giving rise to the Force Majeure Event.

#### **Clause 15 - Termination**

- 15.1 Without prejudice to any other rights or remedies a Party may possess:
- 15.1.1 C&W may terminate the Engagement by notice immediately if the Client has failed to pay an invoice within 30 days of the final date for payment of that invoice.
  - 15.1.2 Either Party may terminate the Engagement by notice immediately if the other Party becomes insolvent.
  - 15.1.3 Either Party may terminate the Engagement by notice immediately if the other Party is in breach of its obligations and where such breach is capable of remedy the other Party fails to remedy such breach within 30 days of receipt of a notice specifying the breach.
- 15.2 For the purposes of Clause 15.1.2, a Party is insolvent if it enters into an arrangement, compromise or composition in satisfaction of its debts or goes into liquidation (in either case otherwise than for the purpose of amalgamation or reconstruction), or has a winding up or bankruptcy order made against it, or it has appointed to it an

administrator or administrative receiver or any step analogous to any of the foregoing occurs.

provisions of the Terms of Business shall not be impaired.

15.3 Either Party may terminate an Engagement by giving not less than 30 days written notice to the other. In such event C&W shall be entitled to payment of fees for the Services it has performed, and payment of the expenses it has properly incurred, up to the date of termination. Where the Engagement Letter does not identify how to calculate the fees that shall be payable where termination under this Clause 15.3 occurs, a fair and reasonable pro rata calculation shall apply having regard to the fees payable for the completion of the Engagement, the expected duration of the entire Engagement and the Services performed prior to termination.

15.4 The expiration or the termination of an Engagement, however arising, shall not operate to affect such of the provisions of the Engagement as are expressed to operate or continue in effect after then and shall be without prejudice to any rights or liabilities accrued at the date of such expiration or termination.

#### **Clause 16 – No Waiver, Partnership or Joint Venture**

16.1 No waiver by a Party of any breach by another Party in the performance of any of its obligations under this Agreement shall operate or be construed as a waiver of any other or further breach whether of a like or different character or be effective unless in writing duly executed by an authorised representative of the affected Party.

16.2 The failure by a Party to insist on any occasion upon the performance of the terms, conditions and provisions of the Engagement, or time or other indulgence granted by one Party to another shall not thereby act as a waiver of any breach, as acceptance of any variation, or as the relinquishment of any right under the Engagement, which shall remain in full force and effect.

16.3 An Engagement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties, or to impose any partnership obligation or liability upon either Party.

#### **Clause 17 – Entire Agreement**

17.1 The Terms of Business constitute the entire agreement and understanding of the Parties as to the subject matter of the Terms of Business. They supersede any prior agreement or understandings between the Parties and no variation of the Terms and Conditions or any Engagement Letter shall be binding unless agreed in writing.

17.2 The Client expressly acknowledges that it has not been induced to enter into the Terms of Business by any warranty or representation or other assurance not expressly incorporated in the Terms of Business.

#### **Clause 18 – Severability**

18.1 If any provision of the Terms of Business is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining

#### **Clause 19 – Contracts (Rights of Third Parties) Act 1999**

19.1 C&W may perform any of its obligations or exercise any of its rights under the Terms of Business through any subsidiary or associated company of DTZ Debenham Tie Leung Limited or any holding company of DTZ Debenham Tie Leung or any subsidiary or associated company of such holding company but in all other respects no term of the Engagement is intended for the benefit of a third party and the Parties do not intend that any term of the Engagement shall be enforceable by a third party either under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

#### **Clause 20 – Assignment**

20.1 An Engagement shall not be assigned or transferred by either Party without the prior consent of the other save that C&W shall be entitled by writing to the Client to assign all or any of its rights under an Engagement to any company in the same group of companies as C&W or associated with C&W.

#### **Clause 21 – Notices**

21.1 Any notice or other information to be given by either Party to the other under the Engagement shall be given by:

21.1.1 Delivering the same by hand;

21.1.2 Sending the same by pre-paid registered post; or

21.1.3 Sending the same by email, facsimile transmission or comparable means of communication;

to the other Party at the address given in Clause 21.4.

21.2 Any notice or information sent by post in the manner provided by Clause 21.1.2 which is not returned to the sender as undelivered shall be deemed to have been given on the second day after the envelope containing it was so posted; and proof that the envelope containing any such notice or information was properly addressed, pre-paid, registered and posted, and that it has not been returned to the sender, shall be sufficient evidence that the notice or information has been duly given.

21.3 Any notice or information sent by telex, facsimile transmission or comparable means of communication shall be deemed to have been duly given on the date of transmission, provided that a confirming copy is sent to the other Party at the address given in Clause 21.4 within 24 hours after transmission.

21.4 The address of either Party for service for the purposes of Clause 21 (but excluding

legal proceedings) shall be that of its registered or principal office, or such other address as it may last have notified to the other Party in writing from time to time.

#### **Clause 22 – Miscellaneous**

- 22.1 Each Party warrants that it has power to enter into the Terms of Business and that it has obtained all necessary consents and/or approvals to do so.
- 22.2 The Engagement shall inure to the benefit of, and be binding upon, the permitted successors and permitted assignees to the Parties.
- 22.3 Where the Client comprises two or more Parties their liability under the Engagement shall be joint and several.
- 22.4 No actions or proceedings arising under or in respect of the Engagement shall be commenced against C&W after 6 years after the date of completion of the Engagement, or such earlier date as may be prescribed by law.
- 22.5 Nothing in the Terms of Business purports to bind C&W to and C&W accepts no other roles and functions unless expressly documented and agreed in the Engagement Letter.
- 22.6 In addition to Clause 22.5, nothing in the Terms of Business appoints or obliges C&W and any affiliate to act as an External Valuer as defined under the Alternative Investment Fund Managers Directive (AIFMD) legislation, or its equivalent under local law. C&W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing by C&W.

#### **Clause 23 - Dispute Resolution and Governing Law**

- 23.1 In the event that the Client is dissatisfied with the provision of the Services by C&W under the Terms of Business it must refer such complaint in the first instance to the director in charge of the Engagement in accordance with the provisions of C&W's complaints procedure current at the time of the complaint. C&W shall supply to the Client a copy of the complaints procedure upon the request of the Client.
- 23.2 The parties irrevocably submit to the exclusive jurisdiction of the English Courts, subject to the rights of either party to enforce a judgement obtained in the English Courts in any other jurisdiction.
- 23.3 The Terms of Business shall be governed by and construed in accordance with English Law.

#### **Clause 24 – Interpretation**

- 24.1 Words importing the singular also include the plural and vice versa where the context requires.
- 24.2 Words importing persons or parties shall include firms, corporations and any other organisation having legal capacity.
- 24.3 The headings in the Terms of Business are not part of the Terms of Business nor shall they be taken into consideration in its interpretation or construction;

- 24.4 All references in the Terms of Business to Clause numbers are references to Clause numbers in the Terms and Conditions and not to those in any other documents forming part of the Terms and Conditions unless the context otherwise indicates.

- 24.5 Reference to a statute or statutory provision includes it as from time to time amended, extended or re-enacted.

- 24.6 These Terms and Conditions and any applicable Engagement Letter shall be read together as a single document.

- 24.7 If there is any conflict between the provisions of:

- 24.7.1 The Terms and Conditions and any applicable Engagement Letter, the Engagement Letter shall have priority;

- 24.7.2 An Engagement Letter and any documents cross referenced and/or attached to that Engagement Letter, the Engagement Letter shall have priority.

#### **Clause 25 - Data Protection**

- 25.1 The Parties will comply fully with the Data Protection Act 1998 in regard to the collection, processing and use of any personal information about in which the parties may obtain through an engagement or otherwise by reason of the Agreement.

- 25.2 C&W may search the Client's record at Credit Reference Agencies for the purposes of verifying the Client's identity and to assess whether the Client is able to fulfil its payment obligations under the Engagement.

### **3. Brookland Road Apartments, Brookland Road, LE2 6BH**

## Executive Summary

**Brookland Road  
 Apartments,  
 Brookland Road,  
 LE2 6BH**



### Location

The subject property is located to the south of Leicester city centre, in close proximity to the main University of Leicester campus. The property is situated on Brookland Road, a cul-de-sac which connects to Welford Road (A1599), a main arterial road which runs north to south and links the ring road and the city centre. The city's railway station is 1.8 km (1.1 miles) north of the subject property.

### Tenure

Freehold

### Approximate year of construction

2013 (Phase 1 – 33 beds), 2014 (Phase 2 – 222 beds)

### Accommodation

255 bedspaces across 4 blocks, arranged as 52 studio flats and 55 cluster flats.

Bedspace Type	No. Flats	No. Bedspaces
2 Bed Cluster - En Suite	1	2
3 Bed Cluster - En Suite	14	42
4 Bed Cluster – Non En Suite	8	24
4 Bed Cluster- En Suite	25	100
5 Bed Cluster- En Suite	7	35
Studio	52	52
<b>Scheme Total</b>	<b>107</b>	<b>255</b>



Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 48 weeks.					
	We are advised that all bedspaces are let on a direct-let basis.					
	Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)
	2 Bed Cluster (En Suite)	2	48	£130.00	£6,240	£12,480
	3 Bed Cluster (En Suite)	42	48	£126.00	£6,048	£254,016
	4 Bed Cluster (Non En Suite)	24	48	£109.00	£5,232	£125,568
	4 Bed Cluster (En Suite)	100	48	£124.00	£5,952	£595,200
	5 Bed Cluster (En Suite)	35	48	£124.00	£5,952	£208,320
	Studio	52	48	£145.00	£6,960	£361,920
	Scheme Total / Average	255	48	£127.25	£6,108	£1,557,504
We are advised by the Borrower that the property has achieved 100% occupancy for the current 2016/17 academic year.						
For the purpose of our valuations for the 2016/17 academic year we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.						
2016/17 Gross Rental Value	c.£1,557,500 per annum (assuming 100% occupancy).  Additional incomes are achieved at the property from non-refundable utility deposits of £295 per bedspace totalling £75,225.					
2016/17 Operating Costs	£369,347 forecast for 2016/17 - Equates to £1,448 per bedspace					
2016/17 Net Rent after voids and operating costs	c.£1,232,230 per annum.					
Market Value and Yields						
Calculation of 2016/17 Net Rent (pa)	Gross Student Rent			£1,557,504 per annum		
	Less Voids & Bad Debts (2%)			-£31,150 per annum		
	Additional Incomes			£75,225 per annum		

	<b>Total Gross Rent</b>		<b>£1,601,579 per annum</b>
	Less Operating Costs (£1,448 per bed)		-£369,347 per annum
	<b>Net Rent</b>		<b>£1,232,232 per annum</b>
<b>Market Value as at 30 September 2016</b>	<b>£20,245,000 (Twenty Million Two Hundred &amp; Forty Five Thousand Pounds)</b>		
Net Initial Yield (2016/17 net rent)	5.90%	<b>Bedspace Value</b>	£79,392 per bed
Purchaser's Costs deducted from gross valuation	£642,029	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.17%.	

### Key Investment Considerations

#### Strengths/opportunities

- The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.
- The property is marketed exclusively through SuLETS, similarly to all other Leicester assets in the portfolio, providing unrivalled exposure to the Leicester student market.
- The property is one of only three PBSA blocks in the immediate surroundings of the university campus. The property has a newer and better specification than the local competition and its proximity to the university campus is a significant attraction to students.
- Asset management opportunities exist across the Leicester portfolio, with additional operating cost efficiencies available.







#### Weaknesses/risks

- Should the lettings agreement with SuLETS be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLETS exclusivity agreements with the universities.
- Should overall demand fall, the subject could be directly competing for student tenants with another schemes in the vicinity and rental level will critical.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.

## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

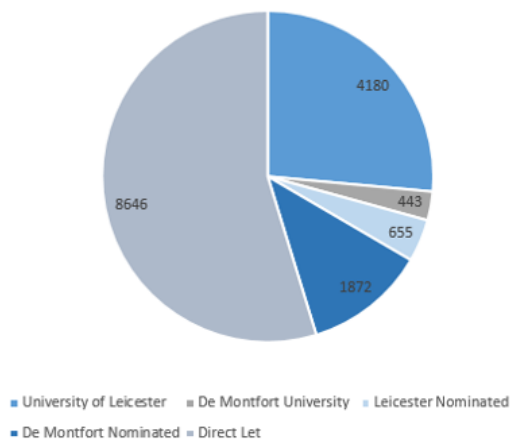
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



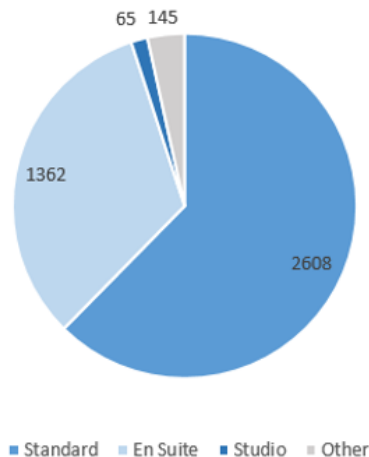
Source: C&W Student Accommodation Tracker 2016

## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
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Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
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Source: C&W Student Accommodation Tracker 2016

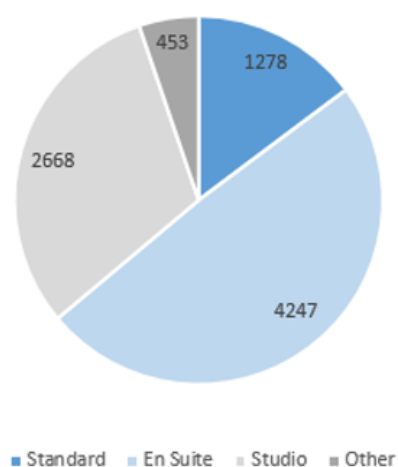
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# Brookland, Leicester



28-Nov-16

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	255	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 127.25	
Gross Student Rent	£ 1,557,504	
Running Void & Incentives	£ 31,150	2.00% of Gross Rent
Additional Income	£ 75,225	
Total Annual Rent (£)	£ 1,601,579	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 369,347	23.71% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,448	

**Net Rent** £ 1,232,232

### MV

Yield	5.90%	
YP	16.949	
Gross MV	£20,885,287	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 20,885,287	

Purchasers Costs £642,029 3.17%

**Market Value (£)** £ 20,243,258

### Say

£ 79,392.16	per bed space	7.67% Gross Yield
5.90%	Net Initial Yield	5.90% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	1,601,579	1,649,626	1,699,115	1,750,089	1,802,591	1,856,669	1,912,369	1,969,740	2,028,832	2,089,697	2,152,388
	1,601,579	1,649,626	1,699,115	1,750,089	1,802,591	1,856,669	1,912,369	1,969,740	2,028,832	2,089,697	2,152,388
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	369,347	378,581	388,045	397,746	407,690	417,882	428,329	439,038	450,013	461,264	472,795
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	369,347	378,581	388,045	397,746	407,690	417,882	428,329	439,038	450,013	461,264	472,795
EBITDA	1,232,232	1,271,046	1,311,070	1,352,342	1,394,901	1,438,787	1,484,040	1,530,703	1,578,819	1,628,433	1,679,593
Margin	76.9%	77.1%	77.2%	77.3%	77.4%	77.5%	77.6%	77.7%	77.8%	77.9%	78.0%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow		1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-20,885,287										
EBITDA		1,232,232	1,271,046	1,311,070	1,352,342	1,394,901	1,438,787	1,484,040	1,530,703	1,578,819	1,628,433
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											24,258,255
	-20,885,287	1,232,232	1,271,046	1,311,070	1,352,342	1,394,901	1,438,787	1,484,040	1,530,703	1,578,819	25,886,688
Running Multiple on EBITDA		16.95	16.43	15.93	15.44	14.97	14.52	14.07	13.64	13.23	12.83
Running Yield on initial outlay		6%	6%	6%	6%	7%	7%	7%	7%	8%	12.83
Cumulative Cost		20,885,287	20,885,287	20,885,287	20,885,287	20,885,287	20,885,287	20,885,287	20,885,287	20,885,287	20,885,287
Running Yield on Cumulative Cost		5.9%	6.1%	6.3%	6.5%	6.7%	6.9%	7.1%	7.3%	7.6%	7.8%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	1,232,232										
Gross Value	20,885,287	5.90%									
Less Purchasers Costs	3,171,6%										
Net Value	20,222,896										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	1,628,433										
Gross Value	25,052,822										
Less Purchasers Costs	3,171,6%										
Net Value	24,258,255										
Ungeared IRR	7.81%										

Geared Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-8,751,549										
EBITDA		1,232,232	1,271,046	1,311,070	1,352,342	1,394,901	1,438,787	1,484,040	1,530,703	1,578,819	1,628,433
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-728,024	-728,024	-728,024	-728,024	-728,024	-728,024	-728,024	-728,024	-728,024	-728,024
Exit Price		0	0	0	0	0	0	0	0	0	12,124,517
	-8,751,549	504,208	543,021	583,046	624,318	666,877	710,762	756,015	802,678	850,795	13,024,927
Geared IRR	9.97%										

### Debt Assumptions

Purchase Price	20,222,896
Loan to Value	60%
Debt	12,133,738
Interest Rate	6%
Annual Interest payment	728,024
Equity Injection plus purch costs	8,751,549

#### **4. Eastern Boulevard, 70 Eastern Boulevard, Leicester, LE2 7JD**



## Executive Summary

Eastern Boulevard,  
 70 Eastern Boulevard  
 Leicester,  
 LE2 7JD



### Location

The property is located in a strong student residential location, being approximately 5-10 minute walk to De Montfort University and 25 minute walk to Leicester Railway Station.

### Approximate year of construction

2010

### Tenure

Freehold

### Accommodation

80 student bedspaces arranged as 56x studios and 6x 4-bedroom, en-suite cluster flats.

Room Type	No. Beds
En-Suite Cluster Bedspace	24
Standard Studio	56
<b>Scheme Total</b>	<b>80</b>

### Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs).

We are advised that all bedspaces are let on a direct-let basis.

As at the date of portfolio acquisition we were previously advised by the Borrower that all bedspaces would continue to be let on 48 week tenancies for the 2016/17 academic year (as per 2015/16 academic year).

The advised actual 2016/17 achieved lettings have however been on a mix of 46 and 48 week terms, with approximately 20% of bedspaces (16x en suite bedspaces) let on the shorter tenancy lengths.

The advised 2016/17 lettings are as follows:

Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)
4-Bed En Suite	16	46	£123	£5,658	£90,528
	8	48	£125	£6,000	£48,000
Standard Studio	17	48	£135	£6,480	£110,160
	39	48	£125	£6,000	£234,000
<b>Total / Average</b>	<b>80</b>	<b>47.6</b>	<b>£127</b>	<b>£6,034</b>	<b>£482,688</b>

We are advised by the Borrower that the property has achieved 100% occupancy for the current 2016/17 academic year.

For the purpose of our valuations for the 2016/17 academic year we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.

We are further advised by the Borrower that all bedspaces will again be let on 48 week tenancies for the 2017/18 academic year onwards. For the purposes of our valuations we have therefore undertaken a Term and Reversion valuation, with our calculation of gross rent for the 2017/18 academic year totalling £517,190 per annum.

#### 2016/17 Gross Rental Value

**c.£482,690 per annum** (assuming 100% occupancy).

Additional incomes are achieved at the property from non-refundable utility deposits of £295 per bedspace totalling £23,600.

#### 2016/17 Operating Costs

**£136,976** forecast for 2016/17 - Equates to £1,712 per bedspace

#### 2016/17 Net Rent after voids and operating costs

**c.£359,660 per annum.**

#### Market Value and Yields

Calculation of 2016/17 Net Rent (pa)	Gross student rent	£482,888 per annum
	Less Voids & Bad Debts (2%)	- £9,654 per annum
	Additional Incomes	£23,600 per annum
	<b>Total Gross Rent</b>	<b>£496,834 per annum</b>
	Less operating costs (£1,712 per bed)	-£136,976 per annum
	<b>Net Rent</b>	<b>£359,858 per annum</b>

Market Value as at 30 September 2016	£6,190,000	(Six Million One Hundred and Ninety Thousand Pounds)	
Net Initial Yield (2016/17 Net Rent)	5.65%	Reversionary Yield	6.13% (2017/18 year)
Equivalent Yield	6.10%	Bedspace Value	£77,375 per bed
Purchaser's Costs deducted from gross valuation	£173,381	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 2.80%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>A lettings contract is in place with SuLETS, who are a charitable organisation set up by the University of Leicester and De Montfort University's Student Unions with a strong brand presence in Leicester and benefits from several exclusivity agreements with the Universities.</li><li>Good student location, close to De Montfort University</li><li>Shuttle bus runs between universities via the subject property</li><li>The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.</li><li>Prominent position off Eastern Boulevard, Ca. 1 mile south west of Leicester city centre and a short walk to De Montfort University.</li><li>De Montfort University is investing heavily in the campus and its educational offer.</li></ul>			
Weaknesses/risks			
<ul style="list-style-type: none"><li>The scheme is located adjacent close to The Summit, so should overall demand fall, the subject could be directly competing for student tenants with another scheme in the subject portfolio.</li><li>Should the lettings agreement with SuLETS be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLETS exclusivity agreements with the universities.</li><li>Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>			

## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

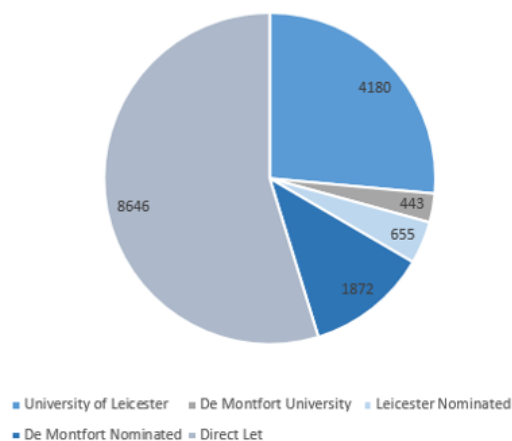
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



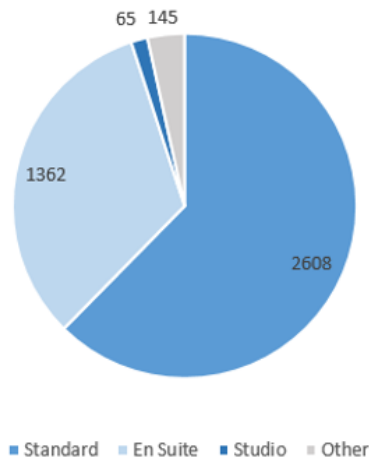
Source: C&W Student Accommodation Tracker 2016

## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
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				En-suite	20	£122.00	43	£5,246
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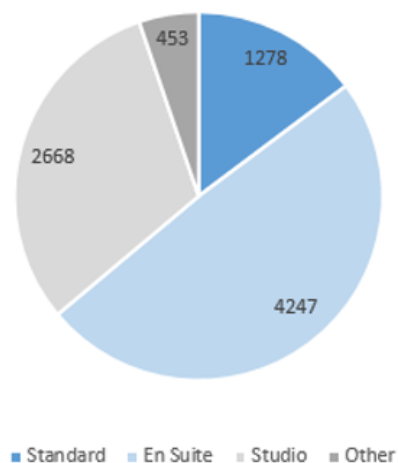
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016



## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# Eastern Boulevard, Leicester

## Term 2016/17 Rents

### Inputs - Revenue

Bed Spaces	80		
Av. Tenancy Length (weeks)	47.60		
Av. Rent per week	£ 126.73		
Gross Student Rent	£ 482,688		
Running Void & Incentives	£ 9,654	2.00%	of Gross Rent
Additional Income	£ 23,600		
Total Annual Rent (£)	£ 496,634		

### Inputs - Operating Costs

Total Operating Costs (£)	£ 136,976	28.38%	of Gross Rent
Cost per bed space	£ 1,712		(incl. Derwent Fee)

**Net Rent** £ 359,658

### MV

Net Rent	£ 359,658
Yield	6.10%
YP 2016/17	0.943
<b>MV</b>	<b>£338,980</b>

## Reversion - 2017/18 Rents

### Inputs - Revenue

Bed Spaces	80		
Av. Tenancy Length (weeks)	48.00		
Av. Rent per week	£ 134.69		
Gross Student Rent	£ 517,190		
Running Void & Incentives	£ 10,344	2.00%	
Additional Income	£ 23,600		
Total Annual Rent (£)	£ 530,447		

### Inputs - Operating Costs

Total Operating Costs (£)	£ 140,400	26.47%	of Gross Rent
Cost per bed space	£ 1,755.01		(incl. Derwent Fee)

**Net Rent** £ 390,046

### MV

Net Rent	£ 390,046
Yield	6.10%
YP Deferred	15.451
<b>MV</b>	<b>£6,026,579</b>

## Valuation

Term	£ 338,980	
Reversion	£ 6,026,579	
Refurbishment	£ -	
Immediate Capex	£ -	
<b>Total</b>	<b>£ 6,365,559</b>	
Purchasers Costs	£173,381	2.80%
<b>Market Value (£)</b>	<b>£ 6,192,178</b>	
<b>Say</b>	<b>£ 6,190,000</b>	

£ 77,375.00 per bed space 7.80% Gross Yield  
5.65% Net Initial Yield 6.13% Reversionary Yield

## IRR Cashflow

Rent increases pa		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
		1	2	3	4	5	6	7	8	9	10
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	496,634	530,447	546,360	562,751	579,633	597,022	614,933	633,381	652,382	671,954	692,112
	496,634	530,447	546,360	562,751	579,633	597,022	614,933	633,381	652,382	671,954	692,112
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	136,976	140,400	143,910	147,508	151,196	154,976	158,850	162,821	166,892	171,064	175,341
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	136,976	140,400	143,910	147,508	151,196	154,976	158,850	162,821	166,892	171,064	175,341
EBITDA	359,658	390,046	402,450	415,243	428,437	442,047	456,083	470,560	485,490	500,890	516,772
Margin	72.4%	73.5%	73.7%	73.8%	73.9%	74.0%	74.2%	74.3%	74.4%	74.5%	74.7%
		1	2	3	4	5	6	7	8	9	10
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Capex											
Refurbishment											0
Immediate Capex		0	0								
		0	0	0	0	0	0	0	0	0	0
Cashflow											
		1	2	3	4	5	6	7	8	9	10
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-6,365,559										
EBITDA		359,658	390,046	402,450	415,243	428,437	442,047	456,083	470,560	485,490	500,890
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											7,496,103
	-6,365,559	359,658	390,046	402,450	415,243	428,437	442,047	456,083	470,560	485,490	7,996,993
Running Multiple on EBITDA		17.70	16.32	15.82	15.33	14.86	14.40	13.96	13.53	13.11	12.71
Running Yield on initial outlay		6%	6%	6%	7%	7%	7%	7%	7%	8%	12.6%
Cumulative Cost		6,365,559	6,365,559	6,365,559	6,365,559	6,365,559	6,365,559	6,365,559	6,365,559	6,365,559	6,365,559
Running Yield on Cumulative Cost		5.7%	6.1%	6.3%	6.5%	6.7%	6.9%	7.2%	7.4%	7.6%	7.9%
Entry Value											
EBITDA Multiple											
2015/16 EBITDA	359,658										
Gross Value	6,365,559	5.65%									
Less Purchasers Costs	2,800,000										
Net Value	6,192,178										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	500,890										
Gross Value	7,705,994										
Less Purchasers Costs	2,800,000										
Net Value	7,496,103										
Ungeared IRR	7.92%										

## Geared Cashflow

		1	2	3	4	5	6	7	8	9	10
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-2,650,252										
EBITDA		359,658	390,046	402,450	415,243	428,437	442,047	456,083	470,560	485,490	500,890
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-222,918	-222,918	-222,918	-222,918	-222,918	-222,918	-222,918	-222,918	-222,918	-222,918
Exit Price											3,780,796
	-2,650,252	136,740	167,128	179,531	192,324	205,519	219,128	233,164	247,641	262,572	4,058,768
<b>Geared IRR</b>	<b>10.22%</b>										

## Debt Assumptions

Purchase Price	6,192,178
Loan to Value	60%
Debt	3,715,307
Interest Rate	6%
Annual interest payment	222,918
Equity Injection plus purch costs	2,650,252



## **5. Newarke Street Apartments, 28 Oxford Street, Leicester, LE1 5XU**

## Executive Summary

**Newarke Street  
Apartments, 28 Oxford  
Street, LE1 5XU**



### Location

The subject property is located on the south eastern fringe of Leicester city centre, adjacent to the De Montfort University campus. The property is situated on Oxford Street (A594). Oxford Street forms part of Leicester's inner ring road which surrounds the city centre. The city's railway station is approximately 790 m east of the subject property.

### Tenure

Freehold

### Approximate year of construction

Construction of new element and refurbishment: 2013-2014.

### Accommodation

284 bedspaces, arranged as 50 studio flats and 71 cluster flats.

Bedspace Type	No. Flats	No. Bedspaces
2 Bed Cluster - En Suite	24	48
3 Bed Cluster - En Suite	10	30
4 Bed Cluster - En Suite	30	120
5 Bed Cluster- En Suite	6	30
6 Bed Cluster- En Suite	1	6
Studio	50	50
<b>Scheme Total</b>	<b>121</b>	<b>284</b>







Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 48 weeks.
	We are advised that all bedspaces are let on a direct-let basis.

Market Value and Yields			
Calculation of 2016/17 net rent (pa)	Gross Student Rent		£1,764,768 per annum
	Less Voids & Bad Debts (2%)		- £35,295 per annum
	Additional Incomes		£83,780 per annum
	Total Gross Rent		£1,813,253 per annum
	Less Operating Costs (£1,745 per bed)		-£495,555 per annum
	Net Rent		£1,317,698 per annum
Market Value as at 30 September 2016	£21,480,000 (Twenty One Million Four Hundred & Eighty Thousand Pounds)		
Net Initial Yield (2016/17 net rent)	5.95%	Bedspace Value	£75,634 per bed
Purchaser's Costs deducted from gross valuation	£669,438	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.12%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>A lettings contract is in place with SuLETS, who are a charitable organisation set up by the University of Leicester and De Montfort University's Student Unions with a strong brand presence in Leicester and benefits from several exclusivity agreements with the Universities.</li><li>Good student location, adjacent to De Montfort University</li><li>The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.</li><li>Prominent position in Leicester city centre and a short walk to the mainline station.</li><li>De Montfort University is investing heavily in the campus and its educational offer.</li></ul>			
Weaknesses/risks			
<ul style="list-style-type: none"><li>Should the lettings agreement with SuLETS be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLETS exclusivity agreements with the universities.</li><li>Should overall demand fall, the subject could be directly competing for student tenants with another scheme in proximity.</li><li>Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>			

## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

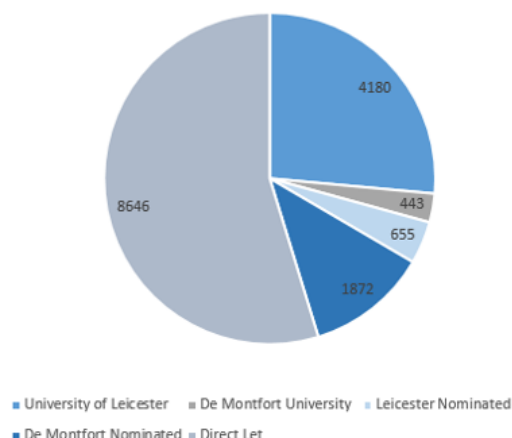
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



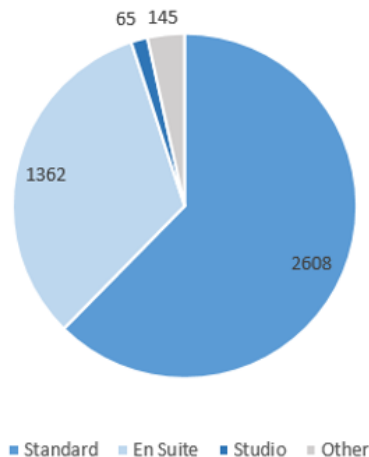
Source: C&W Student Accommodation Tracker 2016

## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
Opal Court	Prodigy Living	UG/PG	University of Leicester	En-suite	301	£128.80	42	£5,410
				Large En-suite	304	£142.10	42	£5,968
				Studio	50	£154.70	42	£6,497
The Grange	UNITE	UG/PG	De Montfort University	Standard	100	£92.00	43	£3,956
				Large Standard	20	£95.00	43	£4,085
				Small En-suite	50	£116.00	43	£4,988
				En-suite	20	£122.00	43	£5,246
				Large En-suite	4	£128.00	43	£5,504
Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
				En-suite	160	£114.00	43	£4,902
				Large En-suite	20	£118.00	43	£5,074
Waterway Gardens	Derwent Living	UG	De Montfort University	Standard	90	£97.00	38	£3,686

Source: C&W Student Accommodation Tracker 2016

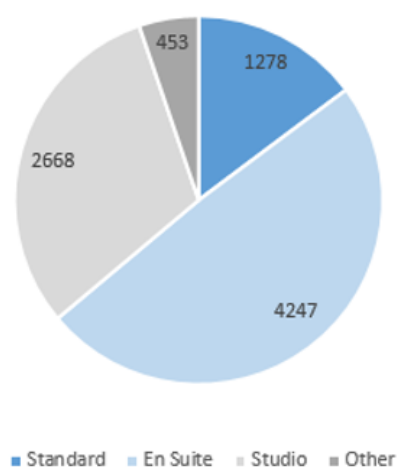
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016



## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.



# Newarke Street Apartments, Leicester



28-Nov-16

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	284	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 129.46	
Gross Student Rent	£ 1,764,768	
Running Void & Incentives	£ 35,295	2.00% of Gross Rent
Additional Income (Excl. Summer)	£ 83,780	
Total Annual Rent (£)	£ 1,813,253	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 495,555	28.08% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,745	

**Net Rent** £ 1,317,698

### MV

Net Rent	£ 1,317,698
Yield	5.95%
YP	16.807
<b>Gross MV</b>	<b>£22,146,179</b>

Refurbishment	£ -
Immediate Capex	£ -
<b>Adj. Gross MV</b>	<b>£ 22,146,179</b>

Purchasers Costs	£669,438	3.12%
<b>Market Value (£)</b>	<b>£ 21,476,741</b>	

**Say** £ 21,480,000

£ 75,633.80 per bed space	8.19% Gross Yield
5.95% Net Initial Yield	5.95% Reversionary Yield

### IRR Cashflow

Rent increases pa		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
		1	2	3	4	5	6	7	8	9	10
2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
<b>Income</b>											
Rent	1,813,253	1,867,650	1,923,680	1,981,390	2,040,832	2,102,057	2,165,118	2,230,072	2,296,974	2,365,883	2,436,860
	1,813,253	1,867,650	1,923,680	1,981,390	2,040,832	2,102,057	2,165,118	2,230,072	2,296,974	2,365,883	2,436,860
<b>Overheads</b>											
Operating Costs	495,555	507,944	520,642	533,659	547,000	560,675	574,692	589,059	603,786	618,880	634,352
Derwent Management Costs	0	0	0	0	0	0	0	0	0	0	0
	495,555	507,944	520,642	533,659	547,000	560,675	574,692	589,059	603,786	618,880	634,352
<b>EBITDA</b>	1,317,698	1,359,706	1,403,037	1,447,732	1,493,832	1,541,382	1,590,427	1,641,013	1,693,189	1,747,003	1,802,508
Margin	72.7%	72.8%	72.9%	73.1%	73.2%	73.3%	73.5%	73.6%	73.7%	73.8%	74.0%
		1	2	3	4	5	6	7	8	9	10
2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
<b>Capex</b>											
Refurbishment		0									0
Immediate Capex		0									0
		0	0	0	0	0	0	0	0	0	0
<b>Cashflow</b>											
		1	2	3	4	5	6	7	8	9	10
2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027		
Entry Price	-22,146,179										
EBITDA		1,317,698	1,359,706	1,403,037	1,447,732	1,493,832	1,541,382	1,590,427	1,641,013	1,693,189	1,747,003
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											26,064,530
	-22,146,179	1,317,698	1,359,706	1,403,037	1,447,732	1,493,832	1,541,382	1,590,427	1,641,013	1,693,189	27,811,533
Running Multiple on EBITDA		16.81	16.29	15.78	15.30	14.83	14.37	13.92	13.50	13.08	12.68
Running Yield on initial outlay		6%	6%	6%	7%	7%	7%	7%	7%	8%	126%
Cumulative Cost	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179	22,146,179
Running Yield on Cumulative Cost		6.0%	6.1%	6.3%	6.5%	6.7%	7.0%	7.2%	7.4%	7.6%	7.9%
<b>Entry Value</b>											
EBITDA Multiple											
2015/16 EBITDA	1,317,698										
Gross Value	22,146,179	5.95%									
Less Purchasers Costs	3,117,000										
Net Value	21,476,741										
<b>Exit Value</b>											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	1,747,003										
Gross Value	26,876,971										
Less Purchasers Costs	3,117,000										
Net Value	26,064,530										
<b>Ungeared IRR</b>	7.97%										

Geared Cashflow		1	2	3	4	5	6	7	8	9	10
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-9,260,134										
EBITDA		1,317,698	1,359,706	1,403,037	1,447,732	1,493,832	1,541,382	1,590,427	1,641,013	1,693,189	1,747,003
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-773,163	-773,163	-773,163	-773,163	-773,163	-773,163	-773,163	-773,163	-773,163	-773,163
Exit Price		0	0	0	0	0	0	0	0	0	13,178,486
	-9,260,134	544,535	586,544	629,875	674,569	720,669	768,219	817,264	867,850	920,026	14,152,326
<b>Geared IRR</b>	10.31%										

### Debt Assumptions

Purchase Price	21,476,741
Loan to Value	60%
Debt	12,886,044
Interest Rate	6%
Annual interest payment	773,163
Equity Injection plus purch costs	9,260,134

## **6. Queens Court, 85 Jarrom Street, Leicester, LE2 7DJ**

## Executive Summary

Queens Court,  
85 Jarrom Street,  
Leicester,  
LE2 7DJ



### Location

The property is located in a popular student residential location, being approximately 2-5 minute walk to De Montfort University and 20 minute walk to Leicester Railway Station

### Tenure

Freehold

### Approximate year of construction

1970's (refurbished 2007/2008)

### Accommodation

143 student bedspaces arranged within 32 non-en suite cluster flats and 12 studios.

Bedspace Type	No. Flats	No. Bedspaces
2 Bed Cluster	1	2
3 Bed Cluster	7	21
4 Bed Cluster	16	64
5 Bed Cluster	4	20
6 Bed Cluster	4	24
Studio	12	12
<b>Scheme Total</b>	<b>44</b>	<b>143</b>

Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 48 weeks.																																																				
	We are advised that all bedspaces are let on a direct-let basis.																																																				
	<table><tr><th>Description</th><th>No. of Beds</th><th>Tenancy Length</th><th>2016/17 Rent Per Bed pwk (£)</th><th>2016/17 Rent Per Bed pa (£)</th><th>Aggregate Rent pa (£)</th></tr><tr><td>2 Bed Cluster</td><td>2</td><td>48</td><td>£103.00</td><td>£4,944</td><td>£9,888</td></tr><tr><td>3 Bed Cluster</td><td>21</td><td>48</td><td>£94.00</td><td>£4,512</td><td>£94,752</td></tr><tr><td>4 Bed Cluster</td><td>64</td><td>48</td><td>£79.00</td><td>£3,792</td><td>£242,688</td></tr><tr><td>5 Bed Cluster</td><td>20</td><td>48</td><td>£84.00</td><td>£4,032</td><td>£80,640</td></tr><tr><td>6 Bed Cluster</td><td>24</td><td>48</td><td>£84.00</td><td>£4,032</td><td>£96,768</td></tr><tr><td>Studio</td><td>12</td><td>48</td><td>£118.00</td><td>£5,664</td><td>£67,968</td></tr><tr><td>Total / Average</td><td>143</td><td>48</td><td>£86.35</td><td>£4,145</td><td>£592,704</td></tr></table>					Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)	2 Bed Cluster	2	48	£103.00	£4,944	£9,888	3 Bed Cluster	21	48	£94.00	£4,512	£94,752	4 Bed Cluster	64	48	£79.00	£3,792	£242,688	5 Bed Cluster	20	48	£84.00	£4,032	£80,640	6 Bed Cluster	24	48	£84.00	£4,032	£96,768	Studio	12	48	£118.00	£5,664	£67,968	Total / Average	143	48	£86.35	£4,145	£592,704
	Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)																																															
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	6 Bed Cluster	24	48	£84.00	£4,032	£96,768																																															
	Studio	12	48	£118.00	£5,664	£67,968																																															
Total / Average	143	48	£86.35	£4,145	£592,704																																																
We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.																																																					
For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.																																																					
2016/17 Gross Rental Value	<b>c.£592,700 per annum</b> (assuming 100% occupancy).																																																				
	Additional incomes are achieved at the property from non-refundable utility deposits of £295 per bedspace totalling £42,185.																																																				
2016/17 Operating Costs	<b>£189,887</b> forecast for 2016/17 - Equates to £1,328 per bedspace																																																				
2016/17 Net Rent after voids and operating costs	<b>c.£433,150 per annum.</b>																																																				
Market Value and Yields																																																					
Calculation of 2016/17 Net Rent (pa)	Gross student rent			£592,704 per annum																																																	
	Less Voids & Bad Debts (2%)			-£11,854 per annum																																																	
	Additional Incomes			£42,185 per annum																																																	
	Total Gross Rent			£623,035 per annum																																																	
	Less operating costs (£1,328 per bed)			-£189,887 per annum																																																	
	Net Rent			£433,148 per annum																																																	

<b>Market Value as at 30 September 2016</b>	<b>£6,145,000</b>	<b>(Six Million One Hundred &amp; Forty Five Thousand Pounds)</b>	
Net Initial Yield (2016/17 net rent)	6.85%	<b>Bedspace Value</b>	£42,960 per bed
Purchaser's Costs deducted from gross valuation	£180,012	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 2.93%.	

## Key Investment Considerations

### Strengths/opportunities

- A lettings contract is in place with Sulets, who are a charitable organisation set up by the University of Leicester and De Montfort University's Student Unions with a strong brand presence in Leicester and benefits from several exclusivity agreements with the Universities.
- Good student location, which backs on to a car park owned by and services De Montfort University.
- Shuttle bus runs between universities via the subject
- The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.
- Prominent position off Jarrom St, c.1 mile south west of Leicester city centre and a short walk to De Montfort University and Leicester City Centre
- De Montfort University is investing heavily in the campus and its educational offer.

### Weaknesses/risks

- The scheme is dated, with fewer on-site student amenities compared with several modern purpose-built schemes close to Queens Court.
- Should the lettings agreement with SuLets be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLets exclusivity agreements with the universities.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.

## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

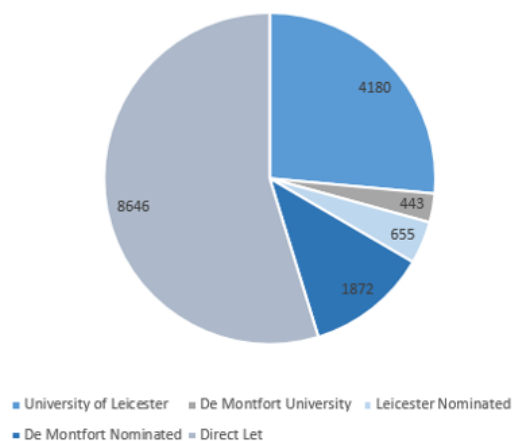
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



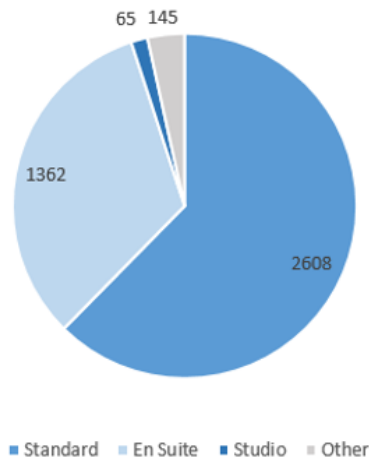
Source: C&W Student Accommodation Tracker 2016

## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

### University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

### De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016



## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
Opal Court	Prodigy Living	UG/PG	University of Leicester	En-suite	301	£128.80	42	£5,410
				Large En-suite	304	£142.10	42	£5,968
				Studio	50	£154.70	42	£6,497
The Grange	UNITE	UG/PG	De Montfort University	Standard	100	£92.00	43	£3,956
				Large Standard	20	£95.00	43	£4,085
				Small En-suite	50	£116.00	43	£4,988
				En-suite	20	£122.00	43	£5,246
				Large En-suite	4	£128.00	43	£5,504
Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
				En-suite	160	£114.00	43	£4,902
				Large En-suite	20	£118.00	43	£5,074
Waterway Gardens	Derwent Living	UG	De Montfort University	Standard	90	£97.00	38	£3,686

Source: C&W Student Accommodation Tracker 2016

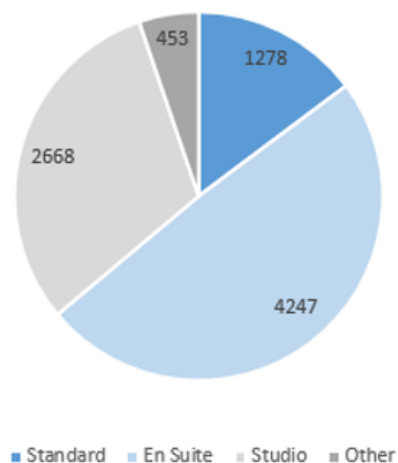
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016



## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# Queens Court, Leicester

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	143	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 86.35	
Gross Student Rent	£ 592,704	
Running Void & Incentives	£ 11,854	2.00% of Gross Rent
Additional Income	£ 42,185	
Total Annual Rent (£)	£ 623,035	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 189,887	32.04% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,328	

**Net Rent** £ 433,148

### MV

Yield	6.85%	
YP	14.599	
Gross MV	£6,323,327	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 6,323,327	

Purchasers Costs	£180,012	2.93%
Market Value (£)	£ 6,143,316	

**Say** £ 6,145,000

£ 42,972.03	per bed space	9.85% Gross Yield
6.85%	Net Initial Yield	6.85% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	623,035	641,726	660,978	680,807	701,231	722,268	743,936	766,254	789,242	812,919	837,307
	623,035	641,726	660,978	680,807	701,231	722,268	743,936	766,254	789,242	812,919	837,307
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	189,887	194,634	199,500	204,488	209,600	214,840	220,211	225,716	231,359	237,143	243,071
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	189,887	194,634	199,500	204,488	209,600	214,840	220,211	225,716	231,359	237,143	243,071
EBITDA	433,148	447,092	461,478	476,320	491,632	507,429	523,726	540,538	557,883	575,776	594,235
Margin	69.5%	69.7%	69.8%	70.0%	70.1%	70.3%	70.4%	70.5%	70.7%	70.8%	71.0%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-6,323,327										
EBITDA		433,148	447,092	461,478	476,320	491,632	507,429	523,726	540,538	557,883	575,776
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											7,709,034
	-6,323,327	433,148	447,092	461,478	476,320	491,632	507,429	523,726	540,538	557,883	8,284,811
Running Multiple on EBITDA		14.60	14.14	13.70	13.28	12.86	12.46	12.07	11.70	11.33	10.98
Running Yield on initial outlay		7%	7%	7%	8%	8%	8%	8%	9%	9%	131%
Cumulative Cost	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327	6,323,327
Running Yield on Cumulative Cost		6.9%	7.1%	7.3%	7.5%	7.8%	8.0%	8.3%	8.5%	8.8%	9.1%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	433,148										
Gross Value	6,323,327	6.85%									
Less Purchasers Costs	2,930,021										
Net Value	6,138,041										
Exit Value											
EBITDA Multiple	13.79	7.25%									
2026/27 EBITDA	575,776										
Gross Value	7,941,744										
Less Purchasers Costs	2,930,021										
Net Value	7,709,034										
Ungeared IRR	9.18%										

Geared Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-2,640,503										
EBITDA		433,148	447,092	461,478	476,320	491,632	507,429	523,726	540,538	557,883	575,776
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969	-220,969
Exit Price		0	0	0	0	0	0	0	0	0	4,026,210
	-2,640,503	212,178	226,122	240,508	255,350	270,662	286,459	302,756	319,569	336,914	4,381,017
Geared IRR	12.90%										

Debt Assumptions	
Purchase Price	6,138,041
Loan to Value	60%
Debt	3,682,825
Interest Rate	6%
Annual Interest payment	220,969
Equity Injection plus purch costs	2,640,503

## **7. Regents Court, 35 Rawson Street, LE1 6TB**

## Executive Summary

**Regents Court, 35  
Rawson Street, Leicester  
LE1 6TB**



### Location

The subject property is located on the southern fringe of Leicester city centre, in close proximity to the main University of Leicester and De Montfort University campuses. The property is situated on Rawson Street, a mews street to the north of Regent Road which connects to Tigers Way (A594). Tigers Way forms part of Leicester's inner ring road which surrounds the city centre. The city's railway station is approximately 400m north-east of the subject property.

### Tenure

Freehold

### Approximate year of construction

1975, refurbished and extended in 2004.

### Accommodation

182 bedspaces arranged as 38 cluster flats across two buildings: one to a height of three storeys and split into three blocks (A – C) and the other to a height of four storeys and split into nine blocks (D – L).

Bedspace Type	No. Flats	No. Bedspaces
4 Bed Cluster	11	44
5 Bed Cluster	24	120
6 Bed Cluster	3	18
<b>Scheme Total</b>	<b>38</b>	<b>182</b>







Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 48 weeks.																																		
	We are advised that all bedspaces are let on a direct-let basis.																																		
	<table><tr><th>Description</th><th>No. of Beds</th><th>Tenancy Length</th><th>2016/17 Rent Per Bed pwk (£)</th><th>2016/17 Rent Per Bed pa (£)</th><th>Aggregate Rent pa (£)</th></tr><tr><td>4 Bed Cluster</td><td>44</td><td>48</td><td>£95.00</td><td>£4,560</td><td>£200,640</td></tr><tr><td>5 Bed Cluster</td><td>120</td><td>48</td><td>£89.00</td><td>£4,272</td><td>£512,640</td></tr><tr><td>6 Bed Cluster</td><td>18</td><td>48</td><td>£89.00</td><td>£4,272</td><td>£76,896</td></tr><tr><td>Total / Average</td><td>182</td><td>48</td><td>£90.45</td><td>£4,342</td><td>£790,176</td></tr></table>					Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)	4 Bed Cluster	44	48	£95.00	£4,560	£200,640	5 Bed Cluster	120	48	£89.00	£4,272	£512,640	6 Bed Cluster	18	48	£89.00	£4,272	£76,896	Total / Average	182	48	£90.45	£4,342	£790,176
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2016/17 Gross Rental Value	c.£790,180 per annum (assuming 100% occupancy).  Additional incomes are achieved at the property from non-refundable utility deposits of £295 per bedspace totalling £53,690.																																		
2016/17 Operating Costs	£244,249 forecast for 2016/17 - Equates to £1,342 per bedspace																																		
2016/17 Net Rent after voids and operating costs	c.£583,810 per annum.																																		
Market Value and Yields																																			
Calculation of 2016/17 Net Rent (pa)	Gross Student Rent (100% occupancy)			£790,176 per annum																															
	Less Voids, Bad Debts & Incentives (2.00%)			-£15,804 per annum																															
	Additional Incomes			£53,690 per annum																															
	Total Gross Rent			£828,062 per annum																															
	Less Operating Costs (£1,342 per bed)			-£244,249 per annum																															
	Net Rent			£583,813 per annum																															
Market Value as at 30 September 2016	£8,255,000 (Eight Million Two Hundred and Fifty Five Thousand Pounds)																																		
Net Initial Yield (2016/17 net rent)	6.85%		Bedspace Value		£45,359 per bed																														

Purchaser's Costs deducted from gross valuation	£267,473	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.24%.
<b>Key Investment Considerations</b>		
<b>Strengths/opportunities</b>		
<ul style="list-style-type: none"> <li>The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.</li> <li>The property is marketed exclusively through SuLETS, similarly to all other Leicester assets in the portfolio, providing unrivalled exposure to the Leicester student market.</li> <li>The property is one of only three PBSA blocks in the immediate surroundings of the university campus. The property has a newer and better specification than the local competition and its proximity to the university campus is a significant attraction to students.</li> <li>Asset management opportunities exist across the Leicester portfolio, with additional operating cost efficiencies available.</li> </ul>		
<b>Weaknesses/risks</b>		
<ul style="list-style-type: none"> <li>The scheme provides a basic standard of specification, with fewer on-site student amenities compared with several modern purpose-built schemes in close proximity.</li> <li>Should the lettings agreement with SuLets be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLets exclusivity agreements with the universities.</li> <li>Should overall demand fall, the subject could be directly competing for student tenants with another schemes in the vicinity and rental level will therefore be critical.</li> <li>Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li> <li>If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li> </ul>		

## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

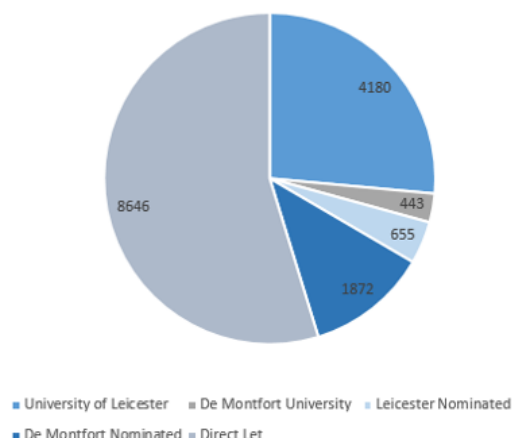
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



Source: C&W Student Accommodation Tracker 2016

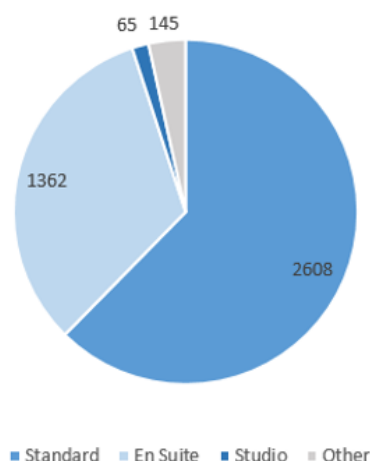


## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016



## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
Opal Court	Prodigy Living	UG/PG	University of Leicester	En-suite	301	£128.80	42	£5,410
				Large En-suite	304	£142.10	42	£5,968
				Studio	50	£154.70	42	£6,497
The Grange	UNITE	UG/PG	De Montfort University	Standard	100	£92.00	43	£3,956
				Large Standard	20	£95.00	43	£4,085
				Small En-suite	50	£116.00	43	£4,988
				En-suite	20	£122.00	43	£5,246
				Large En-suite	4	£128.00	43	£5,504
Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
				En-suite	160	£114.00	43	£4,902
				Large En-suite	20	£118.00	43	£5,074
Waterway Gardens	Derwent Living	UG	De Montfort University	Standard	90	£97.00	38	£3,686

Source: C&W Student Accommodation Tracker 2016

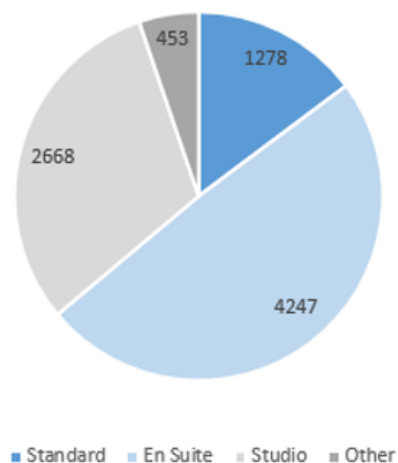
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# Regents Court, Leicester

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	182	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 90.45	
Gross Student Rent	£ 790,176	
Running Void & Incentives	£ 15,804	2.00% of Gross Rent
Additional Income	£ 53,690	
Total Annual Rent (£)	£ 828,062	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 244,249	30.91% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,342	

**Net Rent** £ **583,813**

### MV

Yield	6.85%
YP	14.599
Gross MV	£8,522,825
Refurbishment	£ -
Immediate Capex	£ -
Adj. Gross MV	£ 8,522,825

Purchasers Costs	£267,687	3.24%
Market Value (£)	£ 8,255,137	

**Say** £ **8,255,000**

£ 45,357.14	per bed space	9.72% Gross Yield
6.85%	Net Initial Yield	6.85% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	828,062	852,904	878,491	904,846	931,992	959,951	988,750	1,018,412	1,048,965	1,080,434	1,112,847
	828,062	852,904	878,491	904,846	931,992	959,951	988,750	1,018,412	1,048,965	1,080,434	1,112,847
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	244,249	250,355	256,614	263,029	269,605	276,345	283,254	290,335	297,594	305,034	312,659
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	244,249	250,355	256,614	263,029	269,605	276,345	283,254	290,335	297,594	305,034	312,659
EBITDA	583,813	602,549	621,877	641,817	662,386	683,606	705,496	728,077	751,371	775,400	800,187
Margin	70.5%	70.6%	70.8%	70.9%	71.1%	71.2%	71.4%	71.5%	71.6%	71.8%	71.9%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-8,522,825										
EBITDA		583,813	602,549	621,877	641,817	662,386	683,606	705,496	728,077	751,371	775,400
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											10,003,420
	-8,522,825	583,813	602,549	621,877	641,817	662,386	683,606	705,496	728,077	751,371	10,778,820
Running Multiple on EBITDA		14.60	14.14	13.70	13.28	12.87	12.47	12.08	11.71	11.34	10.99
Running Yield on initial outlay		7%	7%	7%	8%	8%	8%	8%	9%	9%	126%
Cumulative Cost		8,522,825	8,522,825	8,522,825	8,522,825	8,522,825	8,522,825	8,522,825	8,522,825	8,522,825	8,522,825
Running Yield on Cumulative Cost		6.9%	7.1%	7.3%	7.5%	7.8%	8.0%	8.3%	8.5%	8.8%	9.1%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	583,813										
Gross Value	8,522,825	6.85%									
Less Purchasers Costs	3,242,736										
Net Value	8,246,457										
Exit Value											
EBITDA Multiple	13.33	7.50%									
2026/27 EBITDA	775,400										
Gross Value	10,338,669										
Less Purchasers Costs	3,242,736										
Net Value	10,003,420										
Ungeared IRR	8.90%										

### Gearred Cashflow

	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-3,574,950										
EBITDA		583,813	602,549	621,877	641,817	662,386	683,606	705,496	728,077	751,371	775,400
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-296,872	-296,872	-296,872	-296,872	-296,872	-296,872	-296,872	-296,872	-296,872	-296,872
Exit Price		0	0	0	0	0	0	0	0	0	5,055,546
	-3,574,950	286,941	305,677	325,005	344,944	365,514	386,734	408,623	431,205	454,499	5,534,073
Gearred IRR	12.36%										

### Debt Assumptions

Purchase Price	8,246,457
Loan to Value	60%
Debt	4,947,874
Interest Rate	6%
Annual Interest payment	296,872
Equity Injection plus purch costs	3,574,950

## **8. The Summit, 100 Eastern Boulevard, Leicester, LE2 7JD**

## Executive Summary

**The Summit,  
100 Eastern Boulevard  
Leicester,  
LE2 7JD**



### Location

The property is located in a strong student residential location, being approximately 5-10 minute walk to De Montfort University and 25 minute walk to Leicester Railway Station.

### Tenure

Freehold

### Approximate year of construction

2012

### Accommodation

369 student bedspaces arranged as 363 studios and 6x 1-bed apartments.

Bedspace Type	No. Bedspaces
Bronze Studio	47
Silver Studio	148
Gold Studio	148
Platinum Studio	20
One Bedroom Apartment	6
<b>Scheme Total</b>	<b>369</b>

### Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 48 weeks.

We are advised that all bedspaces are let on a direct-let basis.

Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)
Bronze Studio	47	48	£127.00	£6,096	£286,512
Silver Studio	148	48	£135.00	£6,480	£959,040
Gold Studio	148	48	£139.00	£6,672	£987,456
Platinum Studio	20	48	£149.00	£7,152	£143,040
One Bedroom Apartment	6	48	£185.00	£8,880	£53,280
<b>Total / Average</b>	<b>369</b>	<b>48</b>	<b>£137.16</b>	<b>£6,584</b>	<b>£2,429,328</b>

We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.

For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.

We are further advised by the Borrower that Summer income of £6,315 was achieved through lettings of 5 bedspaces to Chinese students for the 2015/16 Summer period.

#### 2016/17 Gross Rental Value

**c.£2,429,330 per annum** (assuming 100% occupancy).

Additional incomes totalling £119,295 are forecast to be achieved at the property from non-refundable utility deposits of £295 per bedspace and the onsite laundry.

Given the Summer lettings were achieved for the 2015/16 Summer period, and the having regard to the length of bedspace tenancies offered, we have not allowed for additional Summer income within the 2016/17 additional income calculation.

#### 2016/17 Operating Costs

**£597,950** forecast for 2016/17 - Equates to £1,620 per bedspace

#### 2016/17 Net Rent after voids and operating costs

**c.£1,900,000 per annum.**

#### Market Value and Yields

#### Calculation of 2016/17 Net Rent (pa)

Gross student rent	£2,429,328 per annum
Less Voids & Bad Debts (2%)	- £48,587 per annum
Additional Incomes	£119,295 per annum
<b>Total Gross Rent</b>	<b>£2,500,036 per annum</b>

	Less operating costs (£1,620 per bed)	-£597,950 per annum
	<b>Net Rent</b>	<b>£1,902,086 per annum</b>
<b>Market Value as at 30 September 2016</b>	<b>£30,840,000 (Thirty Million, Eight Hundred &amp; Forty Thousand Pounds)</b>	
Net Initial Yield (2016/17 net rent)	6.00%	Bedspace Value £83,577 per bed
Purchaser's Costs deducted from gross valuation	£863,463	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 2.80%.

### Key Investment Considerations

#### Strengths/opportunities

- A lettings contract is in place with SuLETS, who are a charitable organisation set up by the University of Leicester and De Montfort University's Student Unions with a strong brand presence in Leicester and benefits from several exclusivity agreements with the Universities.
- Good student location, close to De Montfort University. Shuttle bus runs between universities via the subject
- The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.
- The Summit is an iconic building with the Tower being the tallest residential block in Leicester.
- Prominent position off Eastern Boulevard, Ca. 1 mile south west of Leicester city centre and a short walk to De Montfort University.
- De Montfort University is investing heavily in the campus and its educational offer.

#### Weaknesses/risks







- The scheme is located adjacent close to 70 Eastern Boulevard, so should demand fall, the subject will be directly competing for student tenants with another scheme in the subject portfolio.
- Should the lettings agreement with SuLETS be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLETS exclusivity agreements with the universities.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.



## Leicester Student Market Summary

### Executive Summary

#### Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

### Supply Overview

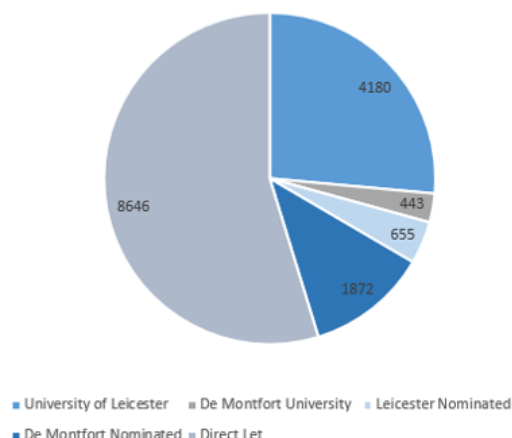
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **15,796 purpose-built student accommodation bed spaces in Leicester for 2016/17**.

Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



Source: C&W Student Accommodation Tracker 2016

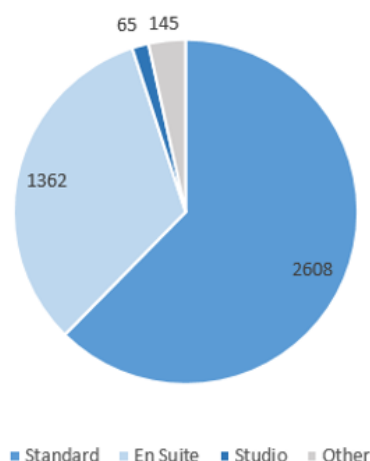


## University of Leicester accommodation

The University of Leicester offers 4,180 bed spaces to its students in 2016/17, with 62% of these standard bed spaces. Only 33% of the accommodation stock is en-suite, with the remaining 5% made up of studios, apartments and twin rooms.

The University offers a range of traditional catered accommodation with lease lengths of only 30 weeks. Self-catered accommodation is priced from around £100 per week for a standard bed space, up to £192.50 for a 1-bed flat. Accommodation pricing at the University is comparable with that charged in the private sector.

University of Leicester accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

De Montfort University accommodation by type 2016/17

Block	UG/PG	Catered	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Bede Hall	UG	Self-Catered	Standard	228	£99.37	38	£3,776
New Wharf Hall	UG	Self-Catered	Standard	215	£99.37	38	£3,776

Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
Opal Court	Prodigy Living	UG/PG	University of Leicester	En-suite	301	£128.80	42	£5,410
				Large En-suite	304	£142.10	42	£5,968
				Studio	50	£154.70	42	£6,497
The Grange	UNITE	UG/PG	De Montfort University	Standard	100	£92.00	43	£3,956
				Large Standard	20	£95.00	43	£4,085
				Small En-suite	50	£116.00	43	£4,988
				En-suite	20	£122.00	43	£5,246
				Large En-suite	4	£128.00	43	£5,504
Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
				En-suite	160	£114.00	43	£4,902
				Large En-suite	20	£118.00	43	£5,074
Waterway Gardens	Derwent Living	UG	De Montfort University	Standard	90	£97.00	38	£3,686

Source: C&W Student Accommodation Tracker 2016

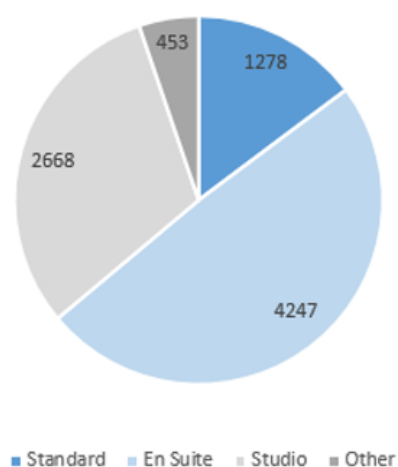
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# The Summit, Leicester



28-Nov-16

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	369	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 137.16	
Gross Student Rent	£ 2,429,328	
Running Void & Incentives	£ 48,587	2.00% of Gross Rent
Additional Income (Excl. Summer)	£ 119,295	
Total Annual Rent (£)	£ 2,500,036	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 597,950	24.61% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,620	

**Net Rent** £ 1,902,086

### MV

Net Rent	£ 1,902,086
Yield	6.00%
YP	16.667
<b>Gross MV</b>	<b>£31,701,441</b>

Refurbishment	£ -
Immediate Capex	£ -
<b>Adj. Gross MV</b>	<b>£ 31,701,441</b>

Purchasers Costs	£863,463	2.80%
<b>Market Value (£)</b>	<b>£ 30,837,977</b>	

**Say** £ 30,840,000

£ 83,577.24	per bed space	7.89% Gross Yield
6.00%	Net Initial Yield	6.00% Reversionary Yield

### IRR Cashflow

Rent increases pa		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
		1	2	3	4	5	6	7	8	9	10	
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Income												
Rent		2,500,036	2,575,038	2,652,289	2,731,857	2,813,813	2,898,227	2,985,174	3,074,729	3,166,971	3,261,981	3,359,840
		2,500,036	2,575,038	2,652,289	2,731,857	2,813,813	2,898,227	2,985,174	3,074,729	3,166,971	3,261,981	3,359,840
			2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Overheads												
Operating Costs		597,950	612,899	628,221	643,927	660,025	676,526	693,439	710,775	728,544	746,758	765,427
Derwent Management Costs			0	0	0	0	0	0	0	0	0	0
		597,950	612,899	628,221	643,927	660,025	676,526	693,439	710,775	728,544	746,758	765,427
EBITDA		1,902,086	1,962,139	2,024,067	2,087,931	2,153,788	2,221,702	2,291,736	2,363,955	2,438,427	2,515,223	2,594,413
Margin		76.1%	76.2%	76.3%	76.4%	76.5%	76.7%	76.8%	76.9%	77.0%	77.1%	77.2%
		1	2	3	4	5	6	7	8	9	10	
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Capex												
Refurbishment			0									0
Immediate Capex			0									
			0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0
Cashflow												
		1	2	3	4	5	6	7	8	9	10	
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price		-31,701,441										
EBITDA			1,902,086	1,962,139	2,024,067	2,087,931	2,153,788	2,221,702	2,291,736	2,363,955	2,438,427	2,515,223
Capex			0	0	0	0	0	0	0	0	0	0
Exit Price												37,612,256
Running Multiple on EBITDA		-31,701,441	1,902,086	1,962,139	2,024,067	2,087,931	2,153,788	2,221,702	2,291,736	2,363,955	2,438,427	40,127,479
Running Yield on initial outlay			16.67	16.16	15.66	15.18	14.72	14.27	13.83	13.41	13.00	12.60
Cumulative Cost			6%	6%	6%	7%	7%	7%	7%	7%	8%	127%
Running Yield on Cumulative Cost		31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441	31,701,441
Entry Value			6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.5%	7.7%	7.9%
EBITDA Multiple												
2016/17 EBITDA		1,902,086										
Gross Value		31,701,441	6.00%									
Less Purchasers Costs		2.8000%										
Net Value		30,813,800										
Exit Value												
EBITDA Multiple		15.38	6.50%									
2026/27 EBITDA		2,515,223										
Gross Value		38,695,737										
Less Purchasers Costs		2.8000%										
Net Value		37,612,256										
Ungeared IRR		8.07%										

Geared Cashflow	1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-13,213,160									
EBITDA	1,902,086	1,962,139	2,024,067	2,087,931	2,153,788	2,221,702	2,291,736	2,363,955	2,438,427	2,515,223
Capex	0	0	0	0	0	0	0	0	0	0
Finance Cost	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297	-1,109,297
Exit Price		0	0	0	0	0	0	0	0	19,123,976
	-13,213,160	792,790	852,842	914,771	978,634	1,044,491	1,112,405	1,182,439	1,254,658	1,329,131
<b>Geared IRR</b>	10.54%									

### Debt Assumptions

Purchase Price	30,813,800
Loan to Value	60%
Debt	18,488,280
Interest Rate	6%
Annual interest payment	1,109,297
Equity Injection plus purch costs	13,213,160

## **9. Upperton Road, 2 Upperton Road, Leicester, LE3 0BG**

## Executive Summary

2 Upperton Road,  
Leicester  
LE3 0BG



### Location

The property is located in a strong student residential location, being approximately 10 minute walk to De Montfort University and 25-30 minute walk to Leicester Railway Station and Leicester City Centre.

### Tenure

Freehold

### Approximate year of construction

2 Phases – Blocks A & B: 2012  
Blocks C & D: 2014

### Accommodation

536 student bedspaces each comprising of studio accommodation

Studio Type	No. Studios
Bronze	3
Silver	97
Gold	300
Platinum	136
<b>Scheme Total</b>	<b>536</b>

### Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs).

We are advised that all bedspaces are let on a direct-let basis.

As at the date of portfolio acquisition we were previously advised by the Borrower that all bedspaces would be let on 51 week tenancies for the 2016/17 academic year, an amendment from the 46 and 51 week tenancies achieved for the 2015/16 academic year.

The advised actual 2016/17 achieved lettings have however been on a mix of 46 and 48 week terms across each unit type.

The advised 2016/17 lettings are as follows:

Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)
Bronze Studio	11	46	£115	£5,290	£58,190
	1	48	£125	£6,000	£6,000
Silver Studio	135	46	£125	£5,750	£776,250
	160	48	£125	£6,000	£960,000
Gold Studio	11	46	£130	£5,980	£65,780
	84	48	£125	£6,000	£504,000
Platinum Studio	19	46	£145	£6,670	£126,730
	115	48	£125	£6,000	£690,000
<b>Total / Average</b>	<b>536</b>	<b>47.34</b>	<b>£126</b>	<b>£5,946</b>	<b>£3,186,950</b>

We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.

For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.

We are further advised by the Borrower that Summer income of £164,319 was achieved through lettings of 105 bedspaces to Chinese students for the 2015/16 Summer period.

We are further advised by the Borrower that all bedspaces are to be let on 48 week tenancies for the 2017/18 academic year onwards. For the purposes of our valuations we have therefore undertaken a Term and Reversion valuation, with our calculation of gross rent for the 2017/18 academic year totalling c.£3,379,800 per annum.

#### 2016/17 Gross Rental Value

**£3,186,950 per annum (assuming 100% occupancy).**

Additional incomes totalling £164,635 are forecast to be achieved at the property from the onsite laundry and non-refundable utility deposits of £295 per bedspace.

Given the Summer lettings were achieved for the 2015/16 Summer period, and the having regard to the length of tenancies, we have not allowed for additional Summer income within the 2016/17 additional income calculation.

#### 2016/17 Operating Costs

**£912,136** forecast for 2016/17 - Equates to £1,702 per bedspace



2016/17 Net Rent after voids and operating costs	£2,375,710 per annum		
Market Value and Yields			
Calculation of 2016/17 Net Rent (pa)	Gross student rent	£3,186,950 per annum	
	Less Voids & Bad Debts (2%)	-£63,739 per annum	
	Additional Incomes	£164,635 per annum	
	Total Gross Rent	£3,287,846 per annum	
	Less operating costs (£1,702 per bed)	-£912,136 per annum	
	Net Rent	£2,375,710 per annum	
Market Value as at 30 September 2016	£41,400,000 (Forty One Million Four Hundred Thousand Pounds)		
Net Initial Yield (2016/17 net rent)	5.58%	Reversionary Yield	5.97 %
Equivalent Yield	5.95%	Bedspace Value	£77,240 per bed
Purchaser's Costs deducted from gross valuation	£1,159,332	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 2.80%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>A lettings contract is in place with SuLETS, who are a charitable organisation set up by the University of Leicester and De Montfort University's Student Unions with a strong brand presence in Leicester and benefits from several exclusivity agreements with the Universities.</li><li>Good student location, close to De Montfort University. Shuttle bus runs between universities via the subject.</li><li>The property has achieved 100% core occupancy for the 2016/17 academic year and has a track-record of full occupancy for previous academic years.</li><li>The Summit is an iconic building with the Tower being the tallest residential block in Leicester.</li><li>Prominent position off Eastern Boulevard, Ca. 1 mile south west of Leicester city centre and a short walk to De Montfort University.</li><li>De Montfort University is investing heavily in the campus and its educational offer.</li></ul>			









#### Weaknesses/risks

- Should the lettings agreement with SuLETS be terminated for any reason, this could impact on the occupancy levels at the scheme given SuLETS exclusivity agreements with the universities.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.
- The scheme comprises solely studio apartments therefore should this demand for type of student accommodation decrease, this could have an impact on occupancy rates.

## Leicester Student Market Summary

### Executive Summary Leicester student accommodation market

Factor		Rating
Demand	With 30,615 full-time and sandwich students, Leicester is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Leicester and De Montfort University, recent performance has been mixed. The University of Leicester has grown by a significant 23% since 2009/10, with a marked increase in students from outside the East Midlands – particularly international students. In contrast, student numbers at De Montfort have declined, although the University is actually recruiting increasing numbers of EU and international students.	
Supply	There are 15,796 purpose-built bed spaces available to Leicester students, although only 29% of beds are provided by the universities – highlighting the influence of the private sector. A real mix of room types and rents is available to students, as well as a quality HMO offer. The Rose accommodation is well located, as is other PBSA supply and this means that competition is intense. Despite this, rental increases have been healthy. The portfolio offers real choice, with quality across the spectrum.	
Pipeline	There is a pipeline of accommodation development in Leicester that is likely to raise the quality of overall provision over coming years. Accommodation is set to be well located.	
SBR	The city-wide SBR is slightly below the UK average for all years of study (1.5:1 vs. 2.1:1). The first year SBR is also lower than the national SBR (0.6:1 vs 1.1:1). However, this is unlikely to be a serious issue should historic increases in student demand continue in Leicester	
Location	Accommodation is well located in general, with all but one block within easy access of both university campuses	
Rents	Accommodation is largely competitively priced in the Leicester market, with Queens and Regent Court providing value accommodation, whilst Eastern Boulevard and Upperton Road compete at the highest end of the Leicester market.	

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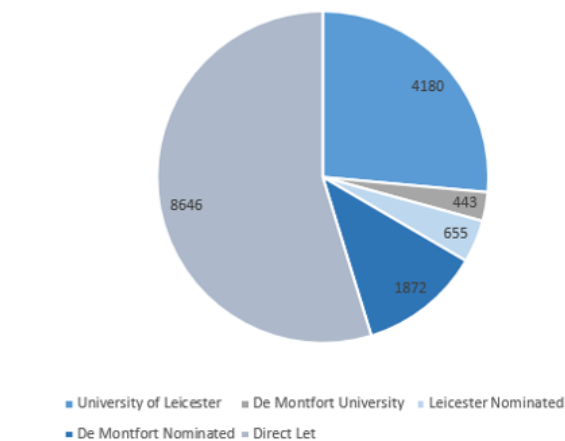
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Interestingly for a market of this size, only 29% (4,623 bed spaces) are directly controlled by the two universities, reflecting the established and well-located nature of the private sector market in the City. The two universities have nomination agreements in place for a further 2,527 bed spaces with the private sector, around 16% of all available stock. This means that there are 8,646 direct-let bed spaces in Leicester, accounting for over half of supply (55%) in the City.

The Leicester market is home to a mix of accommodation types, with 28% of all bed spaces standard, 49% en-suite and 18% studios. Flats and apartments make up the remaining accommodation.

#### Leicester accommodation stock profile 2016/17



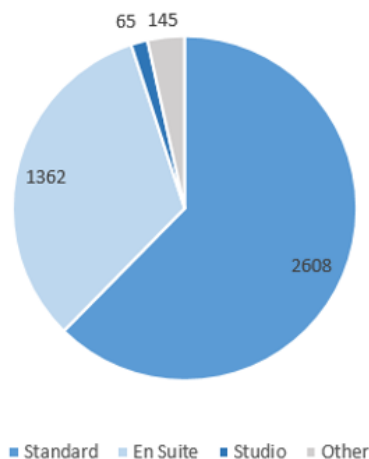
Source: C&W Student Accommodation Tracker 2016

### University of Leicester accommodation

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#### University of Leicester accommodation by type 2016/17



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## De Montfort University accommodation

De Montfort University only offers 443 University-owned bed spaces to its students in 2016/17. The University chooses to source a significant number of bed spaces from the private sector, having sold a number of its blocks to the market. The University benefits from the fact that these bed spaces are located on and close to campus, meaning that a large number of convenient bed spaces are still available to students.

All University-owned bed spaces are standard rooms and are priced at £99.37 per week on 38 week lease lengths. As with the University of Leicester, these standard room rents are comparable with those available in the private sector. Available accommodation is outlined below.

### De Montfort University accommodation by type 2016/17

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Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Leicester and De Montfort University offer 35% of their overall accommodation through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students.

Nearly nine in 10 nominated bed spaces (88%) are en-suite rooms, significantly raising both choice and quality for Leicester and De Montfort students in the City. Room prices range from £92 per week for a standard bed space in UNITE's The Grange, up to £162 per week for a studio bed space at Newarke Point. It should be noted that only 100 of the nominated rooms are studios, again highlighting the reluctance of university providers to offer this room type to students.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Filbert Village	UNITE	UG	De Montfort University	En-suite	250	£107.00	43	£4,601
				Large En-suite	82	£119.00	43	£5,117
Liberty Park	Liberty Living	UG	De Montfort University	En-suite	316	£122.00	42	£5,124
				Large En-suite	10	£125.00	42	£5,250
Newarke Point	UNITE	UG	De Montfort University	En-suite	450	£125.00	43	£5,375
				Large En-suite	100	£142.00	43	£6,106
				Studio	50	£162.00	43	£6,966
Opal Court	Prodigy Living	UG/PG	University of Leicester	En-suite	301	£128.80	42	£5,410
				Large En-suite	304	£142.10	42	£5,968
				Studio	50	£154.70	42	£6,497
The Grange	UNITE	UG/PG	De Montfort University	Standard	100	£92.00	43	£3,956
				Large Standard	20	£95.00	43	£4,085
				Small En-suite	50	£116.00	43	£4,988
				En-suite	20	£122.00	43	£5,246
				Large En-suite	4	£128.00	43	£5,504
Victoria Hall Leicester	Victoria Hall	UG	De Montfort University	Small En-suite	150	£110.00	43	£4,730
				En-suite	160	£114.00	43	£4,902
				Large En-suite	20	£118.00	43	£5,074
Waterway Gardens	Derwent Living	UG	De Montfort University	Standard	90	£97.00	38	£3,686

Source: C&W Student Accommodation Tracker 2016

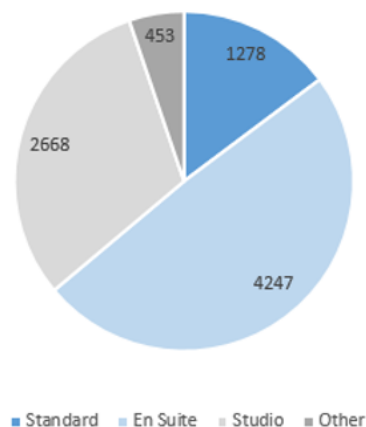
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 8,646 direct-let bed spaces in the Leicester market in 2016/17, including the bed spaces that form part of the Rose 1 Portfolio.

The direct-let private sector market is a mix of standard, en-suite and studio bed spaces, with a number of flats and apartments also available. Standard bed spaces make up 15% of this stock, adding to that available through the universities and through nomination agreements. The lowest priced standard accommodation is available at Millstone Court for £70 per week, up to £119 at Walnut Street Residences. En-suite accommodation is priced from £79 to £149 and account for 49% of all private bed spaces. Interestingly, studio bed spaces make up 31% of the private sector market in Leicester, a high percentage in national terms.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016

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## Demand and Supply Dynamics

### The Leicester demand pool

The pool calculation below sets out our assumptions of demand (University of Leicester and De Montfort University) for student accommodation in Leicester taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Leicester means that students from a large number of areas are able to commute to the City. Despite this, Leicester still has one of the most significant accommodation demand pools in the UK.

ALL STUDENTS	2016/17
Total Full time & sandwich students	30,615
Full Time	29,940
Sandwich	675
From which:	
Deduction from the Pool of students	
Sandwich students from outside the region on a placement year	180
students from the region not likely to demand accommodation	7,410
<b>TOTAL POOL</b>	<b>23,025</b>
<b>Number of Beds (university + private)</b>	<b>15,796</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.5</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	12800
Full Time	12665
Sandwich	135
From which:	
Deduction from the Pool of students	
Sandwich students from outside the region on a placement year	35
students from the region not likely to demand accommodation	3030
<b>TOTAL POOL</b>	<b>9735</b>
<b>Number of Beds (university + private)</b>	<b>15796</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.6</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Leicester is 1.5:1. This SBR is below the national average, and although this is indicative of large levels of supply, the Leicester market has been home to large amounts of purpose-built accommodation for over a decade. It should be recognised that the best located and specified developments are still well set to succeed in this market.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as HMOs are located so closely to existing PBSA provision and the fact that the City Council is looking to free up housing for families. However, it should be noted that significant amounts of stock in the private rented sector is managed by large, specialist landlords and this means that provision is generally of a good quality, as well as good value.

The first year student to bed ratio of 0.6:1 is also below Cushman & Wakefield's nationally observed average of 1.1:1. The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students.

The approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

## Upperton Road, Leicester



28-Nov-16

## Term 2016/17 Rents

## Inputs - Revenue

Bed Spaces	536		
Av. Tenancy Length (weeks)	47.34		
Av. Rent per week	£ 125.61		
Gross Student Rent	£ 3,186,950		
Running Void & Incentives	£ 63,739	2.00%	of Gross Rent
Additional Income (Excl. Summer)	£ 164,635		
Total Annual Rent (£)	£ 3,287,846		

## Inputs - Operating Costs

Total Operating Costs (£)	£ 912,136	28.62%	of Gross Rent
Cost per bed space	£ 1,702		(incl. Derwent Fee)

## Net Rent

£	2,375,710		
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## MV

Net Rent	£ 2,375,710		
Yield	5.95%		
YP 2016/17	0.944		
MV	£2,242,294		

## Reversion - 2017/18 Rents

## Inputs - Revenue

Bed Spaces	536		
Av. Tenancy Length (weeks)	48.00		
Av. Rent per week	£ 131.37		
Gross Student Rent	£ 3,379,794		
Running Void & Incentives	£ 67,596	2.00%	
Additional Income	£ 164,635		
Total Annual Rent (£)	£ 3,476,833		

## Inputs - Operating Costs

Total Operating Costs (£)	£ 934,939	26.89%	of Gross Rent
Cost per bed space	£ 1,744		(incl. Derwent Fee)

## Net Rent

£	2,541,894		
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## MV

Net Rent	£ 2,541,894		
Yield	5.95%		
YP Deferred	15.863		
MV	£40,321,758		

## Valuation

Term	£ 2,242,294		
Reversion	£ 40,321,758		
Refurbishment	£ -		
Immediate Capex	£ -		
Total	£ 42,564,052		
Purchasers Costs	£1,159,332	2.80%	
Market Value (£)	£ 41,404,720		

## Say

£	41,400,000		
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£ 77,238.81 per bed space

7.72% Gross Yield

5.58% Net Initial Yield

5.97% Reversionary Yield

## IRR Cashflow

Rent increases pa		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
		1	2	3	4	5	6	7	8	9	10
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Income											
Rent	3,287,846	3,476,833	3,581,138	3,688,572	3,799,229	3,913,206	4,030,602	4,151,521	4,276,066	4,404,348	4,536,479
	3,287,846	3,476,833	3,581,138	3,688,572	3,799,229	3,913,206	4,030,602	4,151,521	4,276,066	4,404,348	4,536,479
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	912,136	934,939	958,313	982,271	1,006,827	1,031,998	1,057,798	1,084,243	1,111,349	1,139,133	1,167,611
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	912,136	934,939	958,313	982,271	1,006,827	1,031,998	1,057,798	1,084,243	1,111,349	1,139,133	1,167,611
EBITDA	2,375,710	2,541,894	2,622,825	2,706,302	2,792,402	2,881,208	2,972,804	3,067,278	3,164,717	3,265,215	3,368,867
Margin	72.3%	73.1%	73.2%	73.4%	73.5%	73.6%	73.8%	73.9%	74.0%	74.1%	74.3%
		1	2	3	4	5	6	7	8	9	10
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Capex											
Refurbishment			0								0
Immediate Capex			0								
			0	0	0	0	0	0	0	0	0
Cashflow											
		1	2	3	4	5	6	7	8	9	10
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-42,564,052										
EBITDA		2,375,710	2,541,894	2,622,825	2,706,302	2,792,402	2,881,208	2,972,804	3,067,278	3,164,717	3,265,215
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											48,827,527
Running Multiple on EBITDA	-42,564,052	2,375,710	2,541,894	2,622,825	2,706,302	2,792,402	2,881,208	2,972,804	3,067,278	3,164,717	52,092,743
Running Yield on initial outlay		17.92	16.75	16.23	15.73	15.24	14.77	14.32	13.88	13.45	13.04
Cumulative Cost		6%	6%	6%	6%	7%	7%	7%	7%	7%	122%
Running Yield on Cumulative Cost		42,564,052	42,564,052	42,564,052	42,564,052	42,564,052	42,564,052	42,564,052	42,564,052	42,564,052	42,564,052
		5.6%	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.4%	7.7%
Entry Value											
EBITDA Multiple		2,375,710									
2016/17 EBITDA	42,564,052	5.58%									
Gross Value		2,8000%									
Less Purchasers Costs											
Net Value	41,372,258										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	3,265,215										
Gross Value	50,234,082										
Less Purchasers Costs	2.8000%										
Net Value	48,827,527										
Ungeared IRR	7.57%										

Geared Cashflow											
	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-17,740,697										
EBITDA	2,375,710	2,541,894	2,622,825	2,706,302	2,792,402	2,881,208	2,972,804	3,067,278	3,164,717	3,265,215	
Capex	0	0	0	0	0	0	0	0	0	0	
Finance Cost	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	-1,489,401	
Exit Price	0	0	0	0	0	0	0	0	0	24,004,172	
	-17,740,697	886,309	1,052,492	1,133,424	1,216,900	1,303,001	1,391,807	1,483,403	1,577,876	1,675,316	25,779,986
Geared IRR	9.49%										

## Debt Assumptions

Purchase Price	41,372,258		
Loan to Value	60%		
Debt	24,823,355		
Interest Rate	6%		
Annual interest payment	1,489,401		
Equity Injection plus purch costs	17,740,697		

## **10. Newcastle 1, Blandford Square, Newcastle, NE1 4HZ**



## Executive Summary

Newcastle 1,  
Blandford Square,  
Newcastle,  
LE2 7DJ



### Location

The property is located in a popular student residential location, being approximately 15-20 minute walk to Newcastle University and Northumbria University's city centre campus. Newcastle Railway Station is situated approximately a 5 minute walk to the east.

### Tenure

Freehold

### Approximate year of construction

2015

### Accommodation

371 student bedspaces arranged within 34 cluster flats and 199 studios.

Bedspace Type	No. Bedspaces
Standard En-suite	61
Standard Plus En-suite	30
Premium En-suite	81
Standard Studio	95
Premium Studio	57
Premium Studio Plus	41
Deluxe Studio	6
<b>Scheme Total</b>	<b>371</b>

## Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 44 or 51 weeks.

We are advised that all bedspaces are let on a direct-let basis.

Description	No. of Beds	Tenancy Length	2016/17 Rent pwk (£)	2016/17 Rent pa (£)	Aggregate Rent pa (£)
Standard En-suite	32	51	£134.00	£6,834	£218,688
	29	44	£139.00	£6,116	£177,364
Standard Plus En-suite	17	51	£137.00	£6,987	£118,779
	13	44	£142.00	£6,248	£81,224
Premium En-suite	42	51	£139.00	£7,089	£297,738
	39	44	£145.00	£6,380	£248,820
Standard Studio	95	51	£154.00	£7,854	£746,130
Premium Studio	57	51	£164.00	£8,364	£476,748
Premium Studio Plus	41	51	£174.00	£8,874	£363,834
Deluxe Studio	6	51	£199.00	£10,149	£60,894
<b>Total / Average</b>	<b>371</b>	<b>49.04</b>	<b>£151.73</b>	<b>£7,520</b>	<b>£2,790,219</b>

We are advised by the operator that the property operated at 80% occupancy for the 2015/16 academic year, with 73 bedspaces vacant due to the late delivery of the scheme for the academic year commencement.

We are further advised by the Borrower that as at the date of valuation 339 of the 371 bedspaces have been let for the 2016/17 academic year, equating to an occupancy level of 91.4%. The Borrower has advised that continued interest in accommodation is received from students, with the expectation that the occupancy level will increase.

For the purpose of our valuations for the 2016/17 academic year we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable on the assumption that the marketing and letting of the current vacant bedspaces will continue.

## 2016/17 Gross Rental Value

**c.£2,790,200 per annum (assuming 100% occupancy).**

Additional incomes are achieved at the property from Summer lettings for a proportion of shorter tenancy rooms and from the onsite laundry, forecast to total c.£35,530.









2016/17 Operating Costs	£642,179 forecast for 2016/17 - Equates to £1,731 per bedspace		
2016/17 Net Rent after voids and operating costs	c.£2,128,000 per annum.		
Market Value and Yields			
Calculation of 2016/17 Net Rent (pa)	Gross Student Rent		£2,790,219 per annum
	Less Voids & Bad Debts (2%)		-£55,804 per annum
	Additional Incomes		£35,532 per annum
	Total Gross Rent		£2,769,947 per annum
	Less Operating Costs (£1,731 per bed)		-£642,179 per annum
	Net Rent		£2,127,768 per annum
Market Value as at 30 September 2016	£33,215,000 (Thirty Three Million Two Hundred & Fifteen Thousand Pounds)		
Net Initial Yield (2016/17 net rent)	6.00%	Bedspace Value	£89,530 per bed
Purchaser's Costs deducted from gross valuation	£2,248,265	Purchaser's costs including SDLT, legal and agent's fees totalling 6.77%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>• Good student and city centre location.</li><li>• Walking distance from the scheme to the Central Railway station and City Centre University Campuses.</li><li>• Modern, purpose built scheme finished to a high specification</li><li>• On-site common amenities include gymnasium, common room, study areas, kitchen/dining area</li><li>• The scheme provides a range of bedspace types</li></ul>			
Weaknesses/risks			
<ul style="list-style-type: none"><li>• Newcastle is a good student market however, it appears it could be becoming saturated with a constant pipeline of student development. Demand may fall if the property is not proactively managed.</li><li>• Not located in an established student area of the city</li><li>• Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>• If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>			

## Newcastle Student Market Summary

### Executive Summary

#### Newcastle student accommodation market

Factor		Rating
Demand	With 42,570 full-time and sandwich students, Newcastle is a major UK student market. Whilst student numbers are divided almost equally between the University of Newcastle and University of Northumbria, recent performance has been mixed. The University of Newcastle's full-time student numbers have grown by 18% since 2009/10, with a strong increase in those from outside the North East – particularly international students. The University of Northumbria has grown by 2% over the same period and, whilst overseas students have declined, the University is attracting more students from the wider UK.	
Supply	There are 15,776 purpose-built student bed spaces available to Newcastle students for the 2016/17 academic year, with an approximate 50/50 split between university and private sector supply. There has been significant recent private sector growth to meet student demand, with universities entering into a number of nomination agreements to meet accommodation guarantees and to increase the quality of stock available to students. The level of competition means that pricing and specification are crucial to success, with a large number of quality en-suite and studio bed spaces available.	
Pipeline	The Newcastle accommodation pipeline is amongst the most significant in the UK, with a potential for over 4,000 additional bed spaces to be delivered in the future. The City Council has been minded to approved applications over recent years to meet demand, and the planned bed spaces will largely be very well located. However, the City Council is pushing ahead with plans for a CiL charge for future student accommodation in the City Centre which may impact upon future applications should this be approved.	
SBR	The City-wide SBR is in line with the UK average for all years of study (2.1:1 vs. 2.1:1). However, the first year SBR is slightly lower than the national SBR (0.9:1 vs 1.1:1). This may suggest increased competition in attracting 1 <sup>st</sup> year students, especially if student numbers do not increase as significantly as over the last five years.	
Location	Newcastle 1 is well located, although a number of other schemes are based closer to the two university campuses.	
Rents	Accommodation is currently competitively priced given the standard of accommodation available.	

### Supply Overview

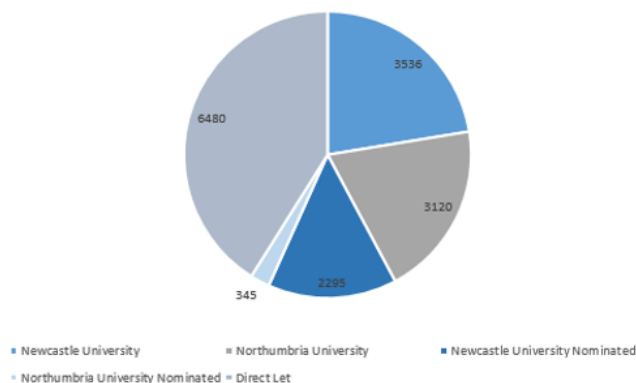
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **14,630 purpose-built student accommodation bed spaces in Newcastle in 2015/16, which will increase to 15,776 for the 2016/17 academic year.**

Less than 50% of bed spaces in Newcastle are owned and operated by the universities (42%), with both entering into a range of nomination agreements with private providers to meet accommodation demand (17% of overall bed spaces for 2016/17). This leaves 41% (6,480) of bed spaces let by the private sector on a direct-let basis.

As both universities have grown strongly over the past decade, the private sector market has developed rapidly to meet student demand in Newcastle. This has significantly increased the quality of the accommodation product available to students in the City.

Newcastle accommodation stock profile 2016/17



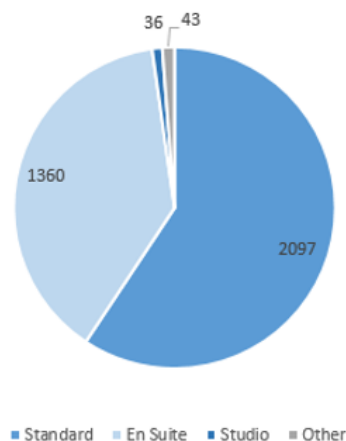
Source: C&W Student Accommodation Tracker 2016

## University of Newcastle accommodation

The University of Newcastle will offer 3,536 bed spaces to its students in 2016/17, with 59% of these standard bed spaces. Only 38% of the accommodation stock is en-suite, with 2% of bed spaces studios/flats.

Much of the accommodation is undergraduate and postgraduate-specific, with some catered accommodation available at Castle Leazes. Accommodation is older in relation to the wider Newcastle market, with standard rooms priced from £83.30 per week. The most expensive self-catered en-suite accommodation available is a Large En-Suite room priced at £147.77 per week. Undergraduate leases are generally 38 weeks in length, whilst postgraduate leases are 50/51 weeks. The combination of undergraduate lease lengths and the standard of accommodation available through the University means that this stock is generally considerably less expensive than that available through the private sector

University of Newcastle accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

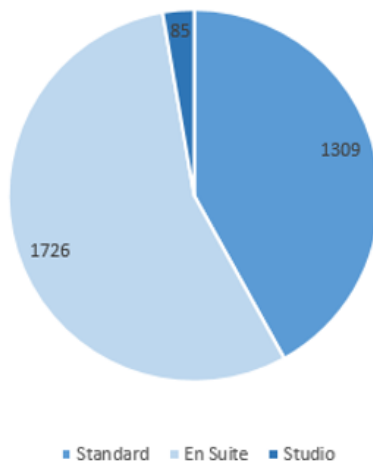
## University of Northumbria accommodation

The University of Northumbria currently offers 3,120 bed spaces to students for the 2016/17 academic year, with 55% of University-owned stock being en-suite accommodation. Northumbria's stock differs from the University of Newcastle in that it is slightly newer in nature.

Accommodation is priced from £69.30 per week for a standard room to £140 for a large-en suite bed space. A number of new studio rooms are also available priced at £164.50 per week – these are comparable with the private sector in terms of both price and quality. Lease lengths are generally 43 weeks, with a small number of 39 week leases available.

A full breakdown of accommodation is provided overleaf.

University of Northumbria accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## Nominated accommodation

Cognisant of their need to provide more accommodation to students to meet accommodation guarantees and wider student demand, both the University of Newcastle and University of Northumbria offer nearly one quarter of their total accommodation (25%) through nomination agreements with the private sector. Not only does this increase student choice, it also increases the quality of accommodation available to students. This is perhaps evidenced by the fact that only 15% of nominated bed spaces are standard accommodation – a significantly lower percentage than that provided by the universities themselves (71% of the University of Newcastle's accommodation is standard. Whilst rents are generally more expensive than university-owned rooms, prices are still competitive in the wider market, with rooms ranging from £101.50 for one of the standard bed spaces, up to £155 for a studio room. Lease lengths are generally no longer than 44 weeks.

### Nominated accommodation 2016/17

Block	Operator	UG/PG	Nominated By	No. Rooms	Room Type	Weekly Rent	Lease Length	Annual Rent
Camden Court	UNITE	UG/PG	University of Northumbria (all rooms)	314	En-suite	£118.00	43	£5,074
				31	Studio	£158.00	43	£6,794
				418	En-suite	£128.00	43	£5,504
Liberty Plaza	Liberty Living	UG	Newcastle University (exclusive access to 518 rooms)	81	Large En-suite	£146.50	43	£6,300
				19	XL En-suite	£155.00	43	£6,665
				147	En-suite	£122.00	42	£5,124
Liberty Quay	Liberty Living	UG/PG	Newcastle University (149 en suites)	2	Large En-suite	£134.00	42	£5,628
				55	En-suite	£123.98	42	£5,207
				15	En-suite	£123.98	50	£6,199
Magnet Court	UNITE	PG	Newcastle University (70 en-suites and 20 studios)	15	Studio Double Occupancy	£152.16	42	£6,391
				5	Studio Double Occupancy	£152.16	50	£7,608
				238	En-suite	£124.00	42	£5,208
Manor Bank	UNITE	UG	Newcastle University (238 en-suites for UG)	312	En-suite	£131.33	43	£5,647
				17	Large En-suite	£141.84	43	£6,099
The View	Downing Students	UG	Newcastle University (all 329 en-suites)	254	En-suite	£123.97	42	£5,207
				3	Large En-suite	£141.84	42	£5,957
Turner Court	Abodus Student Living	UG	Newcastle University (257 rooms)	390	En-suite	£130.00	42	£5,460
				21	Large En-suite	£140.00	42	£5,880
				14	Large En-suite with bath	£155.00	42	£6,510
Verde	Downing Students	UG	Newcastle University (425 rooms)	217	En-suite	£126.00	42	£5,292
				72	Large En-suite	£130.00	42	£5,460
Victoria Hall	Victoria Hall	UG/PG	Newcastle University 289 en-suites)					

Source: C&W Student Accommodation Tracker 2016

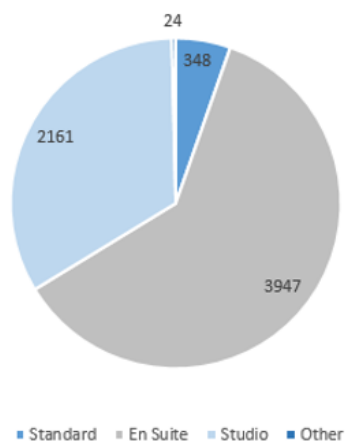
## Private sector accommodation

Excluding private sector bed spaces that are nominated by the City's universities, there are 6,480 direct-let bed spaces in the Newcastle market in 2016/17, including the bed spaces available at the subject property. As noted earlier in this report, there has been considerably development in the City over the last five years (including new bed spaces for 2016/17) which has considerably raised the quality of the offer available to students.

As can be seen below, the composition of room types on the direct-let market is considerably different to that offered by both the universities and through their nomination agreements. Only 6% of bed spaces are standard, with 62% of all stock en-suite. Importantly, 32% of stock is studio rooms, a percentage that has increased considerably over the past two years, meaning that competition in this area of the market is likely to be intense - especially given the planning pipeline in Newcastle. This makes both quality and pricing crucial to success.

Full details of private sector accommodation can be seen overleaf.

### Private sector accommodation supply 2016/17



Source: C&W Student Accommodation Tracker 2016

2.1

## Demand and Supply Dynamics

### The Newcastle demand pool

The pool calculation below sets out our assumptions of demand (University of Newcastle and University of Northumbria) for student accommodation in Newcastle taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area (and this has been sensitivity checked to ensure accuracy). The location of Newcastle means that it is difficult to commute to from a number of areas and large percentages of full-time students in the City demand a student accommodation bed space.

ALL STUDENTS	2016/17
Total Full time & sandwich students	42,570
Full Time	36,745
Sandwich	5,825
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	1,045
students from the region not likely to demand accommodation	8,600
<b>TOTAL POOL</b>	<b>32,925</b>
<b>Number of Beds (university + private)</b>	<b>15,776</b>
<b>Student:Bed ratio (city wide)</b>	<b>2.1</b>

Source: HESA 2014/15, University and private provider websites

FIRST YEARS	2016/17
Total Full time & sandwich students	17,940
Full Time	15,805
Sandwich	2,135
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	375
students from the region not likely to demand accommodation	3,870
<b>TOTAL POOL</b>	<b>13,695</b>
<b>Number of Beds (university + private)</b>	<b>15,776</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.9</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Newcastle is 2.1:1 which is in line with the national average. However, we would note that the Newcastle market is now extremely competitive and this means that purpose-built providers must work hard to attract students in terms of market, rents and accommodation specification. The significant planning pipeline in Newcastle is likely to intensify this competition further in the future.*

The first year only student to bed ratio is slightly below Cushman & Wakefield's nationally-observed average of 0.9:1.

The fact that there are so many bed spaces available to first year students (hence, the University's first year accommodation guarantee) means that PBSA is likely to largely appeal to returning students, and their needs have to be considered in terms of marketing and facilities management.

# Newcastle 1, Blandford Square, Newcastle-upon-Tyne

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	371	
Av. Tenancy Length (weeks)	49.47	
Av. Rent per week	£ 151.73	
Gross Student Rent	£ 2,790,219	
Running Void & Incentives	£ 55,804	2.00% of Gross Rent
Additional Income	£ 35,532	
Total Annual Rent (£)	£ 2,769,947	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 642,179	23.02% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,731	

**Net Rent** £ 2,127,768

### MV

Yield	6.00%	
YP	16.667	
Gross MV	£35,462,794	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 35,462,794	

Purchasers Costs	£2,248,265	6.77%
Market Value (£)	£ 33,214,529	

**Say** £ 33,215,000

£ 89,528.30	per bed space	7.81% Gross Yield
6.00%	Net Initial Yield	6.00% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	2,769,947	2,853,045	2,938,636	3,026,795	3,117,599	3,211,127	3,307,461	3,406,685	3,508,886	3,614,152	3,722,577
	2,769,947	2,853,045	2,938,636	3,026,795	3,117,599	3,211,127	3,307,461	3,406,685	3,508,886	3,614,152	3,722,577
		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Overheads											
Operating Costs	642,179	658,233	674,689	691,557	708,845	726,567	744,731	763,349	782,433	801,994	822,043
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	642,179	658,233	674,689	691,557	708,845	726,567	744,731	763,349	782,433	801,994	822,043
EBITDA	2,127,768	2,194,812	2,263,947	2,335,239	2,408,754	2,484,561	2,562,730	2,643,336	2,726,453	2,812,158	2,900,533
Margin	76.8%	76.9%	77.0%	77.2%	77.3%	77.4%	77.5%	77.6%	77.7%	77.8%	77.9%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
		0	0	0	0	0	0	0	0	0	0
Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-35,462,794										
EBITDA		2,127,768	2,194,812	2,263,947	2,335,239	2,408,754	2,484,561	2,562,730	2,643,336	2,726,453	
Capex		0	0	0	0	0	0	0	0	0	
Exit Price										40,335,473	
	-35,462,794	2,127,768	2,194,812	2,263,947	2,335,239	2,408,754	2,484,561	2,562,730	2,643,336	2,726,453	
Running Multiple on EBITDA		16.67	16.16	15.66	15.19	14.72	14.27	13.84	13.42	13.01	
Running Yield on initial outlay		6%	6%	6%	7%	7%	7%	7%	7%	8%	
Cumulative Cost		35,462,794	35,462,794	35,462,794	35,462,794	35,462,794	35,462,794	35,462,794	35,462,794	35,462,794	
Runnning Yield on Cumulative Cost		6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.5%	7.7%	
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	2,127,768										
Gross Value	35,462,794	6.00%									
Less Purchasers Costs	6,768,996										
Net Value	33,062,345										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	2,812,158										
Gross Value	43,263,977										
Less Purchasers Costs	6,768,996										
Net Value	40,335,473										
Ungeared IRR	7.75%										


Geared Cashflow	1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-15,625,386									
EBITDA		2,127,768	2,194,812	2,263,947	2,335,239	2,408,754	2,484,561	2,562,730	2,643,336	2,726,453
Capex		0	0	0	0	0	0	0	0	0
Finance Cost	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244	-1,190,244
Exit Price		0	0	0	0	0	0	0	0	0
	-15,625,386	937,523	1,004,567	1,073,703	1,144,994	1,218,509	1,294,316	1,372,486	1,453,091	1,536,208
Geared IRR	9.72%									

Debt Assumptions	
Purchase Price	33,062,345
Loan to Value	60%
Debt	19,837,407
Interest Rate	6%
Annual interest payment	1,190,244
Equity Injection plus purch costs	15,625,386

## **11. Nottingham 2, Midland Way, Nottingham, NG7 3EH**



## Executive Summary

<p><b>Nottingham 2, Midland Way, Nottingham, NG7 3EH</b></p>																					
<p><b>Location</b></p>	<p>Nottingham is in the East Midlands and is approx. 20 km east of Derby with Mansfield to the North and Leicester to the South. The subject property is located off Midland Way, 1 mile west of Nottingham city centre and just north of the University of Nottingham's Jubilee Campus.</p> <p>The subject property is located off Midland Way, 1 mile west of Nottingham city centre and just north of the University of Nottingham's Jubilee Campus. The property has easy access routes to the M1 motorway and to the city centre.</p>																				
<p><b>Approximate year of construction</b></p>	<p>Constructed in three phases, Phases 1 &amp; 2 in 2010 (Blocks A-D, 648 beds) and Phase 3 in 2011 (Blocks E-G, 448 beds)</p>																				
<p><b>Tenure</b></p>	<p>Freehold</p>																				
<p><b>Approximate year of construction</b></p>	<p>Constructed in three phases, Phases 1 &amp; 2 in 2010 (Blocks A-D, 648 beds) and Phase 3 in 2011 (Blocks E-G, 448 beds)</p>																				
<p><b>Accommodation Schedule</b></p>	<p>1,096 student bedspaces arranged within 46x cluster flats, 17x houses, 315x studios and 10x 1 bed apartment</p> <table border="1"> <thead> <tr> <th>Bedspace Type</th><th>No. Bedspaces</th></tr> </thead> <tbody> <tr> <td>Standard En Suite</td><td>453</td></tr> <tr> <td>Deluxe En Suite</td><td>318</td></tr> <tr> <td>Small Studio</td><td>120</td></tr> <tr> <td>Standard Studio</td><td>49</td></tr> <tr> <td>Studio Plus</td><td>59</td></tr> <tr> <td>Premium Studio</td><td>46</td></tr> <tr> <td>Premium Plus Studio</td><td>41</td></tr> <tr> <td>1 bed apartment</td><td>10</td></tr> <tr> <td><b>Scheme Total</b></td><td><b>1,096</b></td></tr> </tbody> </table>	Bedspace Type	No. Bedspaces	Standard En Suite	453	Deluxe En Suite	318	Small Studio	120	Standard Studio	49	Studio Plus	59	Premium Studio	46	Premium Plus Studio	41	1 bed apartment	10	<b>Scheme Total</b>	<b>1,096</b>
Bedspace Type	No. Bedspaces																				
Standard En Suite	453																				
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Premium Studio	46																				
Premium Plus Studio	41																				
1 bed apartment	10																				
<b>Scheme Total</b>	<b>1,096</b>																				



Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 44/51 weeks.

The property benefits from a 1-year Nomination Agreement with Unilodgers totalling 36 bedspaces. The remaining bedspaces are let to students on a Direct Let basis.

Description	No. of Beds	Tenancy Length	2016/17 Rent pwk (£)	2016/17 Rent pa (£)	Aggregate Rent pa (£)
<b>Unilodgers</b>					
Unilodgers- Standard En-suite	4	51	£116.00	£5,916	£23,664
	4	44	£121.00	£5,324	£21,296
Unilodgers- Deluxe En-suite	12	51	£119.00	£6,069	£72,828
	4	44	£124.00	£5,456	£21,824
Unilodgers- Small Studio	2	51	£126.00	£6,426	£12,852
Unilodgers- Standard Studio	2	51	£131.00	£6,681	£13,362
Unilodgers- Studio Plus	4	51	£141.00	£7,191	£28,764
Unilodgers- Premium Studio	4	51	£151.00	£7,701	£30,804
<b>Sub-Total</b>	<b>36</b>	<b>49.44</b>	<b>£126.50</b>	<b>£6,261</b>	<b>£225,394</b>
<b>Direct-Let</b>					
Standard En-suite	109	51	£116.00	£5,916	£644,844
	336	44	£121.00	£5,324	£1,788,864
Deluxe En-suite	90	51	£119.00	£6,069	£546,210
	212	44	£124.00	£5,456	£1,156,672
Small Studio	98	51	£126.00	£6,426	£629,748
	20	44	£131.00	£5,764	£115,280
Standard Studio	36	51	£131.00	£6,681	£240,516
	11	44	£136.00	£5,984	£65,824
Standard Studio Plus	46	51	£141.00	£7,191	£330,786
	9	44	£146.00	£6,424	£57,816
Premium Studio	35	51	£151.00	£7,701	£269,535
	7	44	£156.00	£6,864	£48,048
Premium Studio Plus	39	51	£161.00	£8,211	£320,229
	2	44	£166.00	£7,304	£14,608
1 Bedroom Apt	10	51	£189.00	£9,639	£96,390
<b>Sub-Total</b>	<b>1060</b>	<b>47</b>	<b>£127</b>	<b>£5,967</b>	<b>£6,325,370</b>
<b>Total / Average</b>	<b>1096</b>	<b>47.06</b>	<b>£127</b>	<b>£5,977</b>	<b>£6,550,764</b>

	<p>The property benefits from an ongoing referral arrangement with Nottingham Trent University, with the University only directing students to the scheme and responsibility for agreeing tenancies remaining with the Borrower.</p> <p>We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.</p> <p>For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.</p>		
2016/17 Gross Rental Value	<p><b>£6,550,765 per annum (assuming 100% occupancy).</b></p> <p>Additional incomes are achieved at the property from Summer lettings and the onsite laundries forecast to total c.£106,680.</p>		
2016/17 Operating Costs	<p><b>£1,441,275</b> forecast for 2016/17 - Equates to £1,315 per bedspace</p>		
2016/17 Net Rent after voids and operating costs	<p><b>c.£5,090,000 per annum.</b></p>		
Market Value and yields			
Calculation of 2016/17 net rent (pa)	Gross student rent	£6,550,764 per annum	
	Less Voids & Bad Debts (2% of direct lets)	-£126,507 per annum	
	Additional Incomes	£106,681 per annum	
	<b>Total Gross Rent</b>	<b>£6,530,938 per annum</b>	
	Less Operating Costs (£1,315 per bed)	-£1,441,275 per annum	
	<b>Net Rent</b>	<b>£5,089,663 per annum</b>	
Market Value as at 30 September 2016	<p><b>£84,420,000   (Eighty Four Million Four Hundred and Twenty Thousand Pounds)</b></p>		
Net Initial Yield (2016/17 net rent)	5.85%	Bedspace Value	£77,025 per bed
Purchaser's Costs deducted from gross valuation	£2,583,304	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.06%.	

## Key investment/market considerations

### Strengths/opportunities







- Well-located and achieved 100% occupancy rates for current 2016/17 and previous 2015/16 academic years.
- Nottingham student numbers continue to grow steadily year on year and there is a constant demand for this type of new build accommodation which is pitched at a competitive rental level for the market, and benefits from a good location.
- Prominent position off Midland Way, 1 mile west of Nottingham city centre and just north of the University of Nottingham's Jubilee Campus.

### Weaknesses/risks

- Nottingham is a good student market however, it appears it could be becoming saturated and whilst this scheme does not increase the supply of bedspaces to the market, the demand may fall if the property is not proactively managed.
- Should the issues affecting student numbers in England/Wales worsen it could decrease student numbers and rentals for the private student accommodation sector.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.

## Nottingham Student Market Summary

### Executive Summary Nottingham student accommodation market

Factor		Rating
Demand	With 50,675 full-time and sandwich students, Nottingham is one of the UK's top five student markets. Whilst student numbers are divided fairly evenly between the University of Nottingham and Nottingham Trent University, recent performance has been mixed. Whilst Nottingham Trent University has increased student numbers by 5%, student numbers at the University of Nottingham have actually declined. However, both universities have seen an increase in the number of students from outside the area, which is positive in terms of demand for student accommodation	
Supply	There are 20,663 purpose-built student bed spaces available to Nottingham students, with nearly three quarters (73%) of bed spaces provided by the private sector which is long-established in the City. Private sector accommodation supply is largely focused around the City Centre. The reliance of the two universities on this market means that only 31% of the stock is available via direct lets.	
Pipeline	The Nottingham accommodation pipeline current totals 1,216 bed spaces, with a further 474 already under construction and in line to be completed in time for the 2016/17 academic year. This accommodation is largely located towards the City Centre and Nottingham Trent University, close to Trinity Square.	
SBR	The City-wide SBR is slightly below the UK average for all years of study (1.8:1 vs. 2.1:1). The first year SBR is also below the national average (0.7 vs. 1.1:1). Whilst recent performance at Nottingham Trent University has been strong, the future performance of the University of Nottingham is likely to influence future levels of demand in the City.	
Location	Both Nottingham 2 and Trinity Square can be considered well located for the universities that they are designed to serve – the University of Nottingham and Trinity Square respectively.	
Rents	Accommodation is currently competitively priced given the standard of accommodation available.	

## Supply Overview

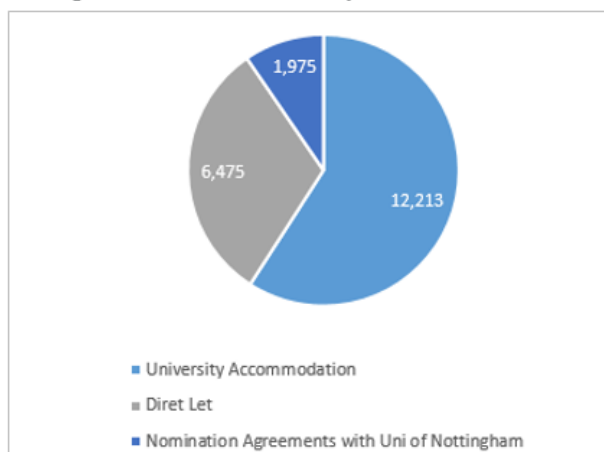
### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records circa **20,663 purpose-built student accommodation bed spaces in Nottingham in 2016/17 making the City one of the UK's major student accommodation locations.**

The majority of bed spaces are provided by the universities (59%). 6,600 of these beds are operated by UPP via joint ventures with both universities, 4,400 are operated by the universities directly and the remainder 1,200 beds are run by Campus Living Villages (block owned by University of Nottingham) and Kaplan Residences (for Nottingham Trent International College).

The private sector accounts for 41% of all bed spaces in Nottingham, of which 23% are nominated by the University of Nottingham.

**Nottingham accommodation stock profile 2016/17**



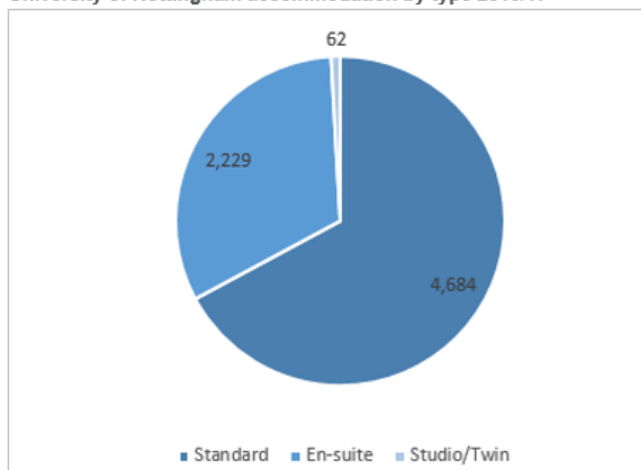
Source: C&W Student Accommodation Tracker 2016/17

### University of Nottingham accommodation

The University of Nottingham offers just under 7,000 bed spaces to its students in 2016/17 which includes 2,200 beds operated by UPP. Campus Living Villages operate Bonington Hall, a university-owned block. Nearly two thirds of bed spaces are standard rooms, 38% are en-suite and only 1% of the stock is studio accommodation.

Much of the accommodation is undergraduate and postgraduate-specific. Most UG accommodation is catered, while PG halls are self-catered. There are also some mixed halls on a part-catered basis for both UG and PG students. The lowest priced room available is a standard room for £99 on a 44 or 51 week let term. The most expensive en-suite accommodation offered is priced at £202 per week on a 31 week let term. Undergraduate leases are generally 31 or 44 weeks in length, whilst postgraduate leases are 51 weeks. Relatively few universities in the sector offer shorter let lengths of 31 weeks or less. Despite the available shorter let length, university accommodation is on average priced above the private sector showing average rents of £113 per week for a standard room (self catered) and £140 per week for an en-suite room.

**University of Nottingham accommodation by type 2016/17**



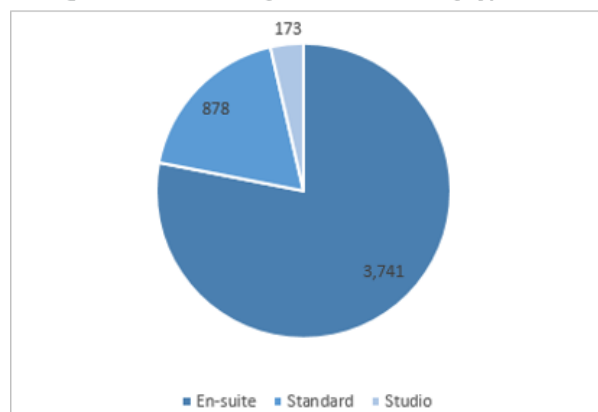
Source: C&W Student Accommodation Tracker 2016/17

## Nottingham Trent University accommodation

Nottingham Trent University offers 4,792 bed spaces to its students in 2016/17, as well as 570 beds as part of Nottingham Trent's International College, operated by Kaplan. Most of the stock is operated by UPP (4,400 beds) with the remaining rooms being operated by the University. The University room portfolio has a high proportion of en-suite rooms (nearly 80%), and less than a fifth of rooms is standard accommodation.

All university accommodation is self-catered. While some blocks are dedicated to UG or PG students only, the majority of halls are open to both types of students. The most affordable accommodation option is a twin room for £87 per week on a 44 week let term. The highest priced en-suite option (£152 pwk) comes with a double bed and is located in Byron Residences which is the newest student hall on campus. Studio rents are £155 and £163 per week on mainly a 51 week let term.

Nottingham Trent University accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016/17

## Nominated accommodation

In addition to the University accommodation, the University of Nottingham also nominates over 1,572 rooms in the private sector. This equals circa 22% of the total bed spaces provided through the University. Nominated rooms are similar to the stock operated by the University and UPP in terms of room types, however rents are overall lower. Unlike some other universities which use nomination agreements as a means of increasing room choice and offering higher quality accommodation, the University of Nottingham extends the lower range of its room portfolio by nominating standard and lower priced en-suite rooms in the private sector.

Nottingham Trent University does not have nomination agreements in place.

Nominated accommodation 2016/17

Block	Operator	University Relationship	UG/PG	Catering	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Raleigh Park	Derwent Living	Nomination Agreement with University of Nottingham	UG	Self-Catered	Standard	500	£98	44	£4,312
			PG	Self-Catered	Standard	100	£98	51	£4,998
			UG	Self-Catered	Large Standard	150	£101	44	£4,444
			UG	Self-Catered	Large Standard - House	100	£102	44	£4,488
			PG	Self-Catered	En-suite	100	£111	51	£5,661
			PG	Self-Catered	En-suite	100	£115	44	£5,060
			UG	Self-Catered	Large En-suite	59	£115	51	£5,865
St Peter's Court	UNITE	Nomination Agreement with University of Nottingham	UG	Self-Catered	Large En-suite	59	£117	44	£5,148
			UG/PG	Self-Catered	En-suite	150	£118	44	£5,198
			UG/PG	Self-Catered	En-suite	150	£112	51	£5,728
			UG/PG	Self-Catered	Large En-suite	104	£126	44	£5,554

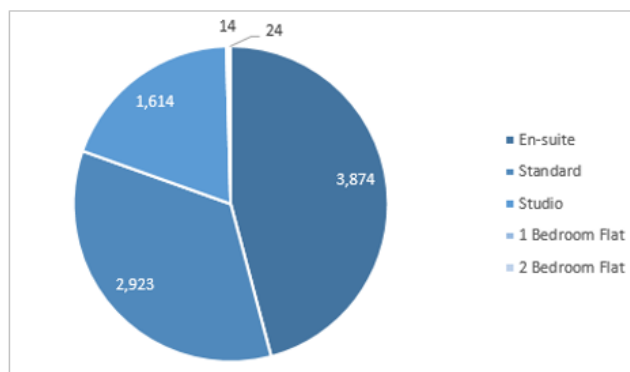
Source: C&W Student Accommodation Tracker 2016

## Composition of the private sector market

As can be seen from the table below, the most common room type provided by the private sector is en-suite accommodation, accounting for 46% of all bed spaces. There is also a significant amount of standard accommodation with a total of 2,923 standard rooms. The majority of these rooms are provided by Derwent Living, Homes for Students and Victoria Hall.

There are a total of 1,614 studios available in Nottingham. The largest suppliers of studios are Fortis Student Living, Hello Student, Study Inn, Inn and Homes for Students.

Private sector accommodation by room type 2016/17



Source: C&W Student Accommodation Tracker 2016/17

## Demand and Supply Dynamics

### The Nottingham demand pool

The pool calculation below sets out our assumptions of demand (University of Nottingham and Nottingham Trent University students) for student accommodation in Nottingham taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area.

ALL STUDENTS	2016/17
Total Full time & sandwich students	50,675
Full Time	44,380
Sandwich	6,295
From which:	
Deduction from the Pool of students	
Sandwich students from outside the region on a placement year	11,705
students from the region not likely to demand accommodation	1,363
<b>TOTAL POOL</b>	<b>37,607</b>
<b>Number of Beds (university + private)</b>	<b>20,786</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.8</b>

FIRST YEARS	2016/17
Total Full time & sandwich students	20,020
Full Time	17,840
Sandwich	2,180
From which:	
Deduction from the Pool of students	
students from the region not likely to demand accommodation	4,873
<b>TOTAL POOL</b>	<b>15,147</b>
<b>Number of Beds (university + private)</b>	<b>20,786</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.7</b>

Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Nottingham is 1.8:1. This SBR is below the national average, reflecting the increasing number of student accommodation bed spaces in the city.

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as the council is trying to reduce the number of students in the private rented sector (the council introduced an Article 4 direction in 2012).

## Nottingham 2, Nottingham

### 2016/17 Rents

#### Inputs - Revenue

Bed Spaces	1,096	
Av. Tenancy Length (weeks)	47.06	
Av. Rent per week	£ 126.56	
Gross Student Rent	£ 6,550,764	
Running Void & Incentives	£ 126,507	1.93% of Gross Rent
Additional Income	£ 106,681	
Total Annual Rent (£)	£ 6,530,938	

#### Inputs - Operating Costs

Total Operating Costs (£)	£ 1,441,275	22.00% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,315	

**Net Rent** £ 5,089,663

#### MV

Yield	5.85%	
YP	17.094	
Gross MV	£87,002,779	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 87,002,779	

Purchasers Costs	£2,583,304	3.06%
Market Value (£)	£ 84,419,475	

**Say** £ 84,420,000

£ 77,025.55	per bed space	7.51% Gross Yield
5.85%	Net Initial Yield	5.85% Reversionary Yield

#### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	6,530,938	6,726,866	6,928,672	7,136,532	7,350,628	7,571,147	7,798,281	8,032,229	8,273,196	8,521,392	8,777,034
	6,530,938	6,726,866	6,928,672	7,136,532	7,350,628	7,571,147	7,798,281	8,032,229	8,273,196	8,521,392	8,777,034
		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Overheads											
Operating Costs	1,441,275	1,477,307	1,514,240	1,552,096	1,590,898	1,630,670	1,671,437	1,713,223	1,756,054	1,799,955	1,844,954
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	1,441,275	1,477,307	1,514,240	1,552,096	1,590,898	1,630,670	1,671,437	1,713,223	1,756,054	1,799,955	1,844,954
EBITDA	5,089,663	5,249,559	5,414,432	5,584,436	5,759,730	5,940,476	6,126,844	6,319,006	6,517,143	6,721,437	6,932,080
Margin	77.9%	78.0%	78.1%	78.3%	78.4%	78.5%	78.6%	78.7%	78.8%	78.9%	79.0%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-87,002,779										
EBITDA	5,089,663	5,249,559	5,414,432	5,584,436	5,759,730	5,940,476	6,126,844	6,319,006	6,517,143	6,721,437	
Capex	0	0	0	0	0	0	0	0	0	0	
Exit Price										100,242,397	
	-87,002,779	5,089,663	5,249,559	5,414,432	5,584,436	5,759,730	5,940,476	6,126,844	6,319,006	6,517,143	
Running Multiple on EBITDA	17.09	16.57	16.07	15.58	15.11	14.65	14.20	13.77	13.35	12.94	
Running Yield on initial outlay	6%	6%	6%	6%	6%	7%	7%	7%	7%	123%	
Cumulative Cost	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	87,002,779	
Running Yield on Cumulative Cost	5.9%	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.3%	7.5%	7.7%	
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	5,089,663										
Gross Value	87,002,779	5.85%									
Less Purchasers Costs	3.0601%										
Net Value	84,340,424										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	6,721,437										
Gross Value	103,406,727										
Less Purchasers Costs	3.0601%										
Net Value	100,242,397										
Ungeared IRR	7.69%										

#### Geared Cashflow

	1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-36,398,525									
EBITDA	5,089,663	5,249,559	5,414,432	5,584,436	5,759,730	5,940,476	6,126,844	6,319,006	6,517,143	6,721,437
Capex	0	0	0	0	0	0	0	0	0	0
Finance Cost	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255	-3,036,255
Exit Price		0	0	0	0	0	0	0	0	49,638,143
	-36,398,525	2,053,407	2,213,304	2,378,177	2,548,181	2,723,475	2,904,221	3,090,589	3,282,751	3,480,887
Geared IRR	9.73%									

#### Debt Assumptions

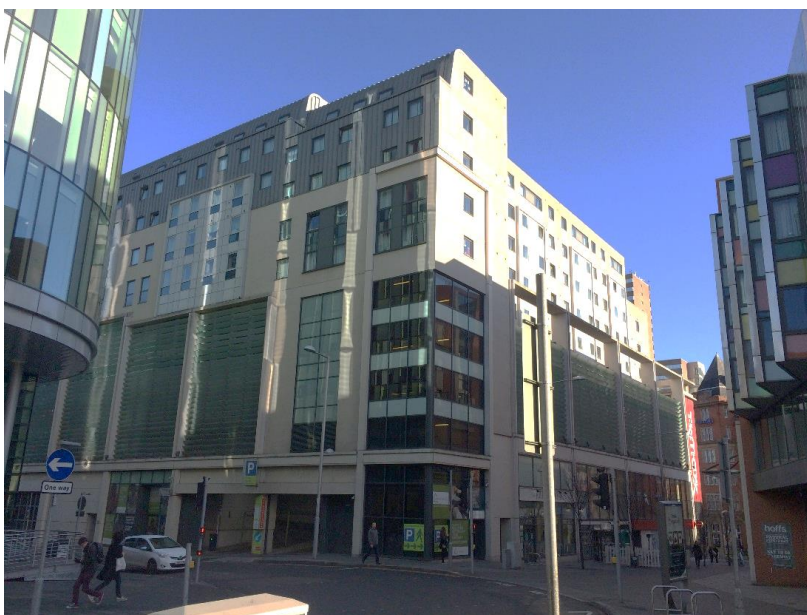
Purchase Price	84,340,424
Loan to Value	60%
Debt	50,604,254
Interest Rate	6%
Annual Interest payment	3,036,255
Equity Injection plus purch costs	36,398,525

## **12. Trinity Square, North Church Street , Nottingham NG1 4BR**



## Executive Summary

Trinity Square,  
North Church Street ,  
Nottingham,  
NG1 4BR



### Location

Nottingham is in the East Midlands and is approx. 20 km east of Derby with Mansfield to the North and Leicester to the South. The subject property is located off Midland Way, 1 mile west of Nottingham city centre and just north of the University of Nottingham's Jubilee Campus. The property has easy access routes to the M1 motorway and to the city centre.

The property is situated in Nottingham City Centre adjacent to the Victoria Shopping Centre, restaurants, bars and the Nottingham Corner House.

### Approximate year of construction

2008

### Tenure

Long Leasehold

### Accommodation

700 student bedspaces split between two detached properties known as Shakespeare House and Milton House.

Bedspaces include standard Ensuite, Deluxe Ensuite, Premium Ensuite and Studios.

Bedspace Type	No. Bedspaces
Standard En-suite	571
Deluxe En-suite	21
premium En-suite	31
Studio	77
<b>Scheme Total</b>	<b>700</b>

Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 46/51 weeks.																																																																																																							
	The property benefits from a 1-year Nomination Agreement with Unilodgers totalling 33 bedspaces.																																																																																																							
	The remaining bedspaces are on a Direct Let basis to students on 46 or 51 week tenancies, although the property has an ongoing referral arrangement with Nottingham Trent University, with the University only directing students to the scheme.																																																																																																							
	<table><tr><th>Description</th><th>No. of Beds</th><th>Tenancy Length</th><th>2016/17 Rent pwk (£)</th><th>2016/17 Rent pa (£)</th><th>Aggregate Rent pa (£)</th></tr><tr><td colspan="6">Unilodgers</td></tr><tr><td rowspan="2">Standard En-Suite</td><td>15</td><td>51</td><td>£120</td><td>£6,120</td><td>£91,800</td></tr><tr><td>10</td><td>46</td><td>£125</td><td>£5,750</td><td>£57,500</td></tr><tr><td>Standard Plus 3-Bed</td><td>3</td><td>51</td><td>£123</td><td>£6,273</td><td>£18,819</td></tr><tr><td>Studio</td><td>5</td><td>51</td><td>£152</td><td>£7,752</td><td>£38,760</td></tr><tr><td>Sub-Total</td><td>33</td><td>49</td><td>£127</td><td>£6,269</td><td>£206,879</td></tr><tr><td colspan="6">Direct-Let</td></tr><tr><td rowspan="2">Standard En-Suite</td><td>68</td><td>51</td><td>£120.00</td><td>£6,120</td><td>£416,160</td></tr><tr><td>474</td><td>46</td><td>£125.00</td><td>£5,750</td><td>£2,725,500</td></tr><tr><td rowspan="2">Standard Plus En-Suite</td><td>0</td><td>51</td><td>£123.00</td><td>£6,273</td><td>£0</td></tr><tr><td>18</td><td>46</td><td>£129.00</td><td>£5,934</td><td>£106,812</td></tr><tr><td rowspan="2">Deluxe En-Suite</td><td>1</td><td>51</td><td>£128.00</td><td>£6,528</td><td>£6,528</td></tr><tr><td>34</td><td>46</td><td>£131.00</td><td>£6,026</td><td>£204,884</td></tr><tr><td>Studio</td><td>72</td><td>51</td><td>£152.00</td><td>£7,752</td><td>£558,144</td></tr><tr><td>Sub-Total</td><td>667</td><td>47</td><td>£128</td><td>£6,024</td><td>£4,018,028</td></tr><tr><td>Total / Average</td><td>700</td><td>47</td><td>£128</td><td>£6,036</td><td>£4,224,907</td></tr></table>						Description	No. of Beds	Tenancy Length	2016/17 Rent pwk (£)	2016/17 Rent pa (£)	Aggregate Rent pa (£)	Unilodgers						Standard En-Suite	15	51	£120	£6,120	£91,800	10	46	£125	£5,750	£57,500	Standard Plus 3-Bed	3	51	£123	£6,273	£18,819	Studio	5	51	£152	£7,752	£38,760	Sub-Total	33	49	£127	£6,269	£206,879	Direct-Let						Standard En-Suite	68	51	£120.00	£6,120	£416,160	474	46	£125.00	£5,750	£2,725,500	Standard Plus En-Suite	0	51	£123.00	£6,273	£0	18	46	£129.00	£5,934	£106,812	Deluxe En-Suite	1	51	£128.00	£6,528	£6,528	34	46	£131.00	£6,026	£204,884	Studio	72	51	£152.00	£7,752	£558,144	Sub-Total	667	47	£128	£6,024	£4,018,028	Total / Average	700	47	£128	£6,036	£4,224,907
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We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.																																																																																																								
For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.																																																																																																								
c.£4,224,900 per annum (assuming 100% occupancy).																																																																																																								
2016/17 Gross Rental Value	Additional incomes are achieved at the property from Summer lettings and the onsite laundries forecast to total c.£64,090.																																																																																																							
2016/17 Operating Costs	£1,040,199 forecast for 2016/17																																																																																																							
	Equates to £1,488 per bedspace																																																																																																							

2016/17 Net Rent after voids and operating costs	c.£3,170,000 per annum.		
Market Value and yields			
Calculation of 2016/17 Net Rent (pa)	Gross student rent	£4,224,907	
	Less Voids & Bad Debts (2.00% of direct let rent)	-£80,361	
	Additional Incomes	£64,090	
	Total Gross Rent	£4,208,636	
	Less operating costs (£1,488 per bed)	-£1,040,199	
	Net Rent	£3,168,437 per annum.	
Market Value as at 30 September 2016	£51,145,000 (Fifty One Million One Hundred & Forty Five Thousand Pounds)		
Net Initial Yield (2016/17 net rent)	6.00%	Average Bedspace Value	£73,065 per bed
Purchaser's Costs deducted from gross valuation	£1,663,800	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.25%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>Well-located and achieved 100% occupancy rates for current 2016/17 and previous 2015/16 academic years.</li><li>Nottingham student numbers continue to grow steadily year on year and there is a constant demand for this type of new build accommodation which is pitched at a competitive rental level for the market, and benefits from a good location.</li><li>In close proximity to Nottingham Trent's city campus being a 5 minute walk and a public bus service to Clifton campus is directly outside the property</li><li>Prominent position within the city centre of Nottingham</li></ul>			
Weaknesses/risks			
<ul style="list-style-type: none"><li>Nottingham is a good student market however, it appears it could be becoming saturated and whilst this scheme does not increase the supply of bedspaces to the market, the demand may fall if the property is not proactively managed.</li><li>Should the issues affecting student numbers in England/Wales worsen it could decrease student numbers and rentals for the private student accommodation sector.</li><li>Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>			

## Nottingham Student Market Summary

### Executive Summary

#### Nottingham student accommodation market

Factor		Rating
Demand	With 50,675 full-time and sandwich students, Nottingham is one of the UK's top five student markets. Whilst student numbers are divided fairly evenly between the University of Nottingham and Nottingham Trent University, recent performance has been mixed. Whilst Nottingham Trent University has increased student numbers by 5%, student numbers at the University of Nottingham have actually declined. However, both universities have seen an increase in the number of students from outside the area, which is positive in terms of demand for student accommodation	●
Supply	There are 20,663 purpose-built student bed spaces available to Nottingham students, with nearly three quarters (73%) of bed spaces provided by the private sector which is long-established in the City. Private sector accommodation supply is largely focused around the City Centre. The reliance of the two universities on this market means that only 31% of the stock is available via direct lets.	●
Pipeline	The Nottingham accommodation pipeline current totals 1,216 bed spaces, with a further 474 already under construction and in line to be completed in time for the 2016/17 academic year. This accommodation is largely located towards the City Centre and Nottingham Trent University, close to Trinity Square.	●
SBR	The City-wide SBR is slightly below the UK average for all years of study (1.8:1 vs. 2.1:1). The first year SBR is also below the national average (0.7 vs. 1.1:1). Whilst recent performance at Nottingham Trent University has been strong, the future performance of the University of Nottingham is likely to influence future levels of demand in the City.	●
Location	Both Nottingham 2 and Trinity Square can be considered well located for the universities that they are designed to serve – the University of Nottingham and Trinity Square respectively.	●
Rents	Accommodation is currently competitively priced given the standard of accommodation available.	●

### Supply Overview

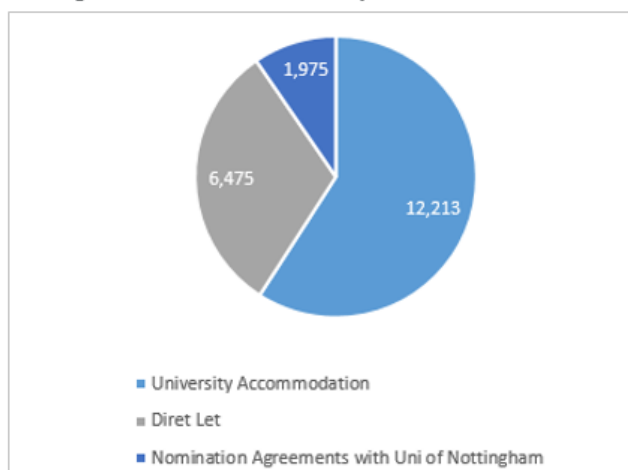
#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records circa **20,663 purpose-built student accommodation bed spaces in Nottingham in 2016/17 making the City one of the UK's major student accommodation locations.**

The majority of bed spaces are provided by the universities (59%). 6,600 of these beds are operated by UPP via joint ventures with both universities, 4,400 are operated by the universities directly and the remainder 1,200 beds are run by Campus Living Villages (block owned by University of Nottingham) and Kaplan Residences (for Nottingham Trent International College).

The private sector accounts for 41% of all bed spaces in Nottingham, of which 23% are nominated by the University of Nottingham.

#### Nottingham accommodation stock profile 2016/17



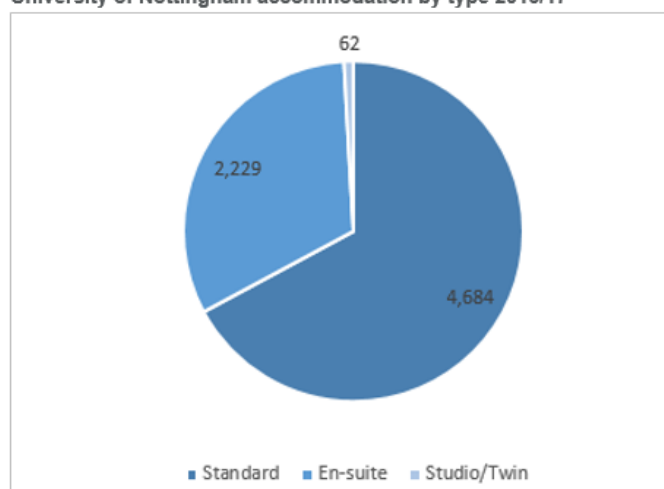
Source: C&W Student Accommodation Tracker 2016/17

## University of Nottingham accommodation

The University of Nottingham offers just under 7,000 bed spaces to its students in 2016/17 which includes 2,200 beds operated by UPP. Campus Living Villages operate Bonington Hall, a university-owned block. Nearly two thirds of bed spaces are standard rooms, 38% are en-suite and only 1% of the stock is studio accommodation.

Much of the accommodation is undergraduate and postgraduate-specific. Most UG accommodation is catered, while PG halls are self-catered. There are also some mixed halls on a part-catered basis for both UG and PG students. The lowest priced room available is a standard room for £99 on a 44 or 51 week let term. The most expensive en-suite accommodation offered is priced at £202 per week on a 31 week let term. Undergraduate leases are generally 31 or 44 weeks in length, whilst postgraduate leases are 51 weeks. Relatively few universities in the sector offer shorter let lengths of 31 weeks or less. Despite the available shorter let length, university accommodation is on average priced above the private sector showing average rents of £113 per week for a standard room (self catered) and £140 per week for an en-suite room.

University of Nottingham accommodation by type 2016/17



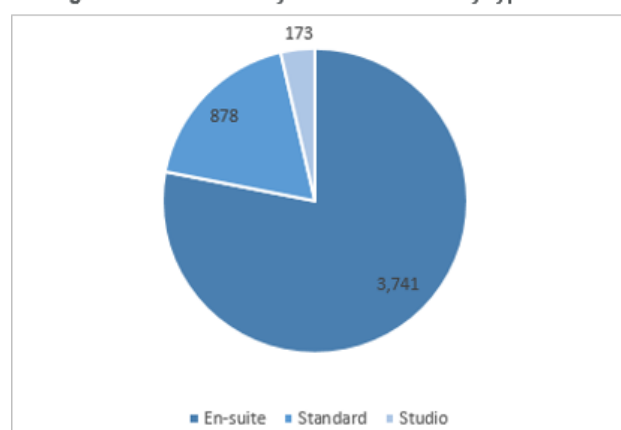
Source: C&W Student Accommodation Tracker 2016/17

## Nottingham Trent University accommodation

Nottingham Trent University offers 4,792 bed spaces to its students in 2016/17, as well as 570 beds as part of Nottingham Trent's International College, operated by Kaplan. Most of the stock is operated by UPP (4,400 beds) with the remaining rooms being operated by the University. The University room portfolio has a high proportion of en-suite rooms (nearly 80%), and less than a fifth of rooms is standard accommodation.

All university accommodation is self-catered. While some blocks are dedicated to UG or PG students only, the majority of halls are open to both types of students. The most affordable accommodation option is a twin room for £87 per week on a 44 week let term. The highest priced en-suite option (£152 pwk) comes with a double bed and is located in Byron Residences which is the newest student hall on campus. Studio rents are £155 and £163 per week on mainly a 51 week let term.

Nottingham Trent University accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016/17

## Nominated accommodation

In addition to the University accommodation, the University of Nottingham also nominates over 1,572 rooms in the private sector. This equals circa 22% of the total bed spaces provided through the University. Nominated rooms are similar to the stock operated by the University and UPP in terms of room types, however rents are overall lower. Unlike some other universities which use nomination agreements as a means of increasing room choice and offering higher quality accommodation, the University of Nottingham extends the lower range of its room portfolio by nominating standard and lower priced en-suite rooms in the private sector.

Nottingham Trent University does not have nomination agreements in place.

### Nominated accommodation 2016/17

Block	Operator	University Relationship	UG/PG	Catering	Room Type	No of Beds	Weekly Rent	Lease Length	Annual Rent
Raleigh Park	Derwent Living	Nomination Agreement with University of Nottingham	UG	Self-Catered	Standard	500	£98	44	£4,312
			PG	Self-Catered	Standard	100	£98	51	£4,998
			UG	Self-Catered	Large Standard	150	£101	44	£4,444
			UG	Self-Catered	Large Standard - House	100	£102	44	£4,488
			PG	Self-Catered	En-suite	100	£111	51	£5,661
			PG	Self-Catered	En-suite	100	£115	44	£5,060
			UG	Self-Catered	Large En-suite	59	£115	51	£5,865
			UG	Self-Catered	Large En-suite	59	£117	44	£5,148
St Peter's Court	UNITE	Nomination Agreement with University of Nottingham	UG/PG	Self-Catered	En-suite	150	£118	44	£5,198
			UG/PG	Self-Catered	En-suite	150	£112	51	£5,728
			UG/PG	Self-Catered	Large En-suite	104	£126	44	£5,554

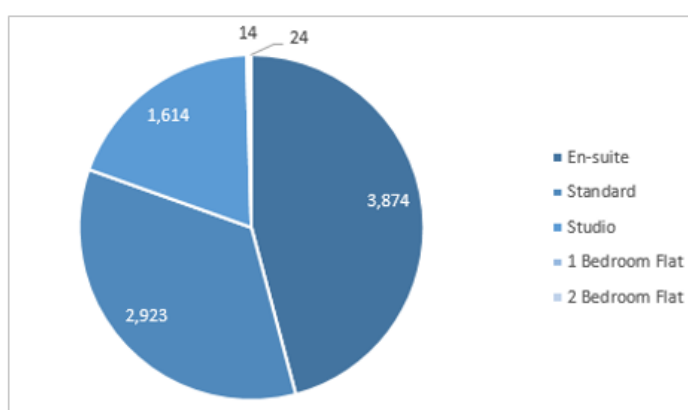
Source: C&W Student Accommodation Tracker 2016

## Composition of the private sector market

As can be seen from the table below, the most common room type provided by the private sector is en-suite accommodation, accounting for 46% of all bed spaces. There is also a significant amount of standard accommodation with a total of 2,923 standard rooms. The majority of these rooms are provided by Derwent Living, Homes for Students and Victoria Hall.

There are a total of 1,614 studios available in Nottingham. The largest suppliers of studios are Fortis Student Living, Hello Student, Study Inn, Inn and Homes for Students.

### Private sector accommodation by room type 2016/17



Source: C&W Student Accommodation Tracker 2016/17



## Demand and Supply Dynamics

### The Nottingham demand pool

The pool calculation below sets out our assumptions of demand (University of Nottingham and Nottingham Trent University students) for student accommodation in Nottingham taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area.

ALL STUDENTS	2016/17
Total Full time & sandwich students	50,675
Full Time	44,380
Sandwich	6,295
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	11,705
students from the region not likely to demand accommodation	1,363
<b>TOTAL POOL</b>	<b>37,607</b>
<b>Number of Beds (university + private)</b>	<b>20,786</b>
<b>Student:Bed ratio (city wide)</b>	<b>1.8</b>

FIRST YEARS	2016/17
Total Full time & sandwich students	20,020
Full Time	17,840
Sandwich	2,180
From which:	
<b>Deduction from the Pool of students</b>	
students from the region not likely to demand accommodation	4,873
<b>TOTAL POOL</b>	<b>15,147</b>
<b>Number of Beds (university + private)</b>	<b>20,786</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.7</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Nottingham is 1.8:1. This SBR is below the national average, reflecting the increasing number of student accommodation bed spaces in the city.*

We understand that there are large numbers of students currently living in the private rented sector, and there are opportunities to draw these students out into purpose-built student accommodation – especially as the council is trying to reduce the number of students in the private rented sector (the council introduced an Article 4 direction in 2012).

# Trinity Square, Nottingham



28-Nov-16

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	700	
Av. Tenancy Length (weeks)	47.06	
Av. Rent per week	£ 127.82	
Gross Student Rent	£ 4,224,907	
Running Void & Incentives	£ 80,361	1.90% of Gross Rent
Additional Income	£ 64,090	
Total Annual Rent (£)	£ 4,208,636	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 1,040,199	24.62% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,486	

**Net Rent** £ 3,168,437

### MV

Yield	6.00%	
YP	16.667	
Gross MV	£52,807,291	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 52,807,291	

Purchasers Costs	£1,663,800	3.25%
Market Value (£)	£ 51,143,490	

**Say** £ 51,145,000

£ 73,064.29	per bed space	7.97% Gross Yield
6.00%	Net Initial Yield	6.00% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	4,208,636	4,334,896	4,464,942	4,598,891	4,736,857	4,878,963	5,025,332	5,176,092	5,331,375	5,491,316	5,656,055
	4,208,636	4,334,896	4,464,942	4,598,891	4,736,857	4,878,963	5,025,332	5,176,092	5,331,375	5,491,316	5,656,055
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	1,040,199	1,066,204	1,092,859	1,120,181	1,148,185	1,176,890	1,206,312	1,236,470	1,267,381	1,299,066	1,331,543
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	1,040,199	1,066,204	1,092,859	1,120,181	1,148,185	1,176,890	1,206,312	1,236,470	1,267,381	1,299,066	1,331,543
EBITDA	3,168,437	3,268,692	3,372,083	3,478,710	3,588,672	3,702,073	3,819,020	3,939,622	4,063,993	4,192,250	4,324,513
Margin	75.3%	75.4%	75.5%	75.6%	75.8%	75.9%	76.0%	76.1%	76.2%	76.3%	76.5%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow		1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-52,807,291										
EBITDA		3,168,437	3,268,692	3,372,083	3,478,710	3,588,672	3,702,073	3,819,020	3,939,622	4,063,993	4,192,250
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											62,397,964
Running Multiple on EBITDA	-52,807,291	3,168,437	3,268,692	3,372,083	3,478,710	3,588,672	3,702,073	3,819,020	3,939,622	4,063,993	66,590,214
Running Yield on initial outlay		16.67	16.16	15.66	15.18	14.71	14.26	13.83	13.40	12.99	12.60
Cumulative Cost		6%	6%	6%	7%	7%	7%	7%	7%	8%	126%
Running Yield on Cumulative Cost		52,807,291	52,807,291	52,807,291	52,807,291	52,807,291	52,807,291	52,807,291	52,807,291	52,807,291	52,807,291
		6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.5%	7.7%	7.9%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	3,168,437										
Gross Value	52,807,291	6.00%									
Less Purchasers Costs	3,2532%										
Net Value	51,089,364										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	4,192,250										
Gross Value	64,496,153										
Less Purchasers Costs	3,2532%										
Net Value	62,397,964										
Ungeared IRR	8.05%										


Geared Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-22,153,672										
EBITDA		3,168,437	3,268,692	3,372,083	3,478,710	3,588,672	3,702,073	3,819,020	3,939,622	4,063,993	4,192,250
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217	-1,839,217
Exit Price		0	0	0	0	0	0	0	0	0	31,744,346
	-22,153,672	1,329,220	1,429,474	1,532,866	1,639,493	1,749,455	1,862,856	1,979,803	2,100,405	2,224,776	34,097,379
Geared IRR	10.46%										

Debt Assumptions	
Purchase Price	51,089,364
Loan to Value	60%
Debt	30,653,618
Interest Rate	6%
Annual Interest payment	1,839,217
Equity Injection plus purch costs	22,153,672



### **13. Sheffield 2, Edward Street / Kenyon Street / Solly Street Sheffield, S3 7BU**

## Executive Summary

Sheffield 2, Various																					
Location	<p>Sheffield is located approximately 10 km (6 miles) to the south west of Rotherham, 48 km (30 miles) south of Leeds, 55 km (34 miles) east of Manchester and 201 km (125 miles) north of London. The city is situated within close proximity to the region's motorway network, being located to the west of the M1 that links Leeds to the north and London to the south with access to the cities of Nottingham, Leicester and other towns.</p> <p>The property is in close proximity to the University of Sheffield with most of the campus buildings situated within a 5 -10 minute walk of the subject.</p> <p>Sheffield's central railway station is situated approximately 1.6km (1.0 mile) from the subject.</p>																				
Approximate year of construction	2004-2010 with two Converted Blocks																				
Tenure	Freehold																				
Accommodation	<p>520 student bedspaces arranged as 424 bedspaces within 80 cluster flats, 3x studios, 31x 1-bed apartments and 31x 2-bed apartments.</p> <table border="1" data-bbox="671 1565 1281 2033"> <thead> <tr> <th>Block</th><th>No. Bedspaces</th></tr> </thead> <tbody> <tr> <td>Brearley House</td><td>101</td></tr> <tr> <td>Huntsman House</td><td>60</td></tr> <tr> <td>Solly House</td><td>41</td></tr> <tr> <td>The Castle</td><td>69</td></tr> <tr> <td>Pickering House</td><td>69</td></tr> <tr> <td>Bolsover House</td><td>91</td></tr> <tr> <td>Mary Page House</td><td>60</td></tr> <tr> <td>Mellor House</td><td>29</td></tr> <tr> <td></td><td><b>520</b></td></tr> </tbody> </table>	Block	No. Bedspaces	Brearley House	101	Huntsman House	60	Solly House	41	The Castle	69	Pickering House	69	Bolsover House	91	Mary Page House	60	Mellor House	29		<b>520</b>
Block	No. Bedspaces																				
Brearley House	101																				
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Pickering House	69																				
Bolsover House	91																				
Mary Page House	60																				
Mellor House	29																				
	<b>520</b>																				

## Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs).

The property benefits from two 1-year Nomination Agreements with Unilodgers and 6APT totalling 126 bedspaces.

The remaining bedspaces are on a Direct Let basis to students on 48 week tenancies.







Description	No. of Beds	Tenancy Length	2016/17 Rent pwk (£)	2016/17 Rent pa (£)	Aggregate Rent pa (£)
<b>Unilodgers</b>					
The Castle - Standard En Suite	7	48	£102	£4,896	£34,272
Bolsover - Deluxe En Suite	2	48	£109	£5,232	£10,464
Huntsman - Deluxe En Suite	2	48	£104	£4,992	£9,984
Mary Page - 1-Bed Apt	1	48	£135	£6,480	£6,480
Brearley - Deluxe En Suite	1	48	£107	£5,136	£5,136
<b>Sub-Total</b>	<b>13</b>	<b>48</b>	<b>£106</b>	<b>£5,103</b>	<b>£66,336</b>
<b>Unilodgers</b>					
Mellor House - 1-Bed Apt	4	48	£135	£6,480	£25,920
Brearley - Standard En Suite	10	48	£102	£4,896	£48,960
Huntsman - Standard En Suite	10	48	£102	£4,896	£48,960
Pickering - Standard En Suite	47	48	£101	£4,848	£227,856
Mary Page - 1-Bed Apt	2	48	£135	£6,480	£12,960
Mary Page - 2-Bed Apt	40	48	£99	£4,752	£190,080
<b>Sub-Total</b>	<b>113</b>	<b>48</b>	<b>£109</b>	<b>£4,909</b>	<b>£554,736</b>
<b>Direct-Let</b>					
Brearley – Standard En Suite	85	48	£102	£4,896	£416,160
Brearley – Deluxe En Suite	3	48	£107	£5,136	£15,408
Brearley - 2-Bed Apt	2	48	£110	£5,280	£10,560
Huntsman – Standard En Suite	43	48	£102	£4,896	£210,528
Huntsman - Deluxe En Suite	5	48	£104	£4,992	£24,960
Solly - Standard	2	48	£95	£4,560	£9,120
Solly - Standard En Suite	35	48	£99	£4,752	£166,320
Solly – 2-Bed Apt	2	48	£135	£6,480	£12,960
Solly – Studio	2	48	£115	£5,520	£11,040
Castle - Standard En Suite	59	48	£102	£4,896	£288,864
Castle - Deluxe En Suite	2	48	£108	£5,184	£10,368
Castle - Studio	1	48	£129	£6,192	£6,192

	<table><tr><th>Description</th><th>No. of Beds</th><th>Tenancy Length</th><th>2016/17 Rent pwk (£)</th><th>2016/17 Rent pa (£)</th><th>Aggregate Rent pa (£)</th></tr><tr><td>Pickering - Standard En Suite</td><td>14</td><td>48</td><td>£101</td><td>£4,848</td><td>£67,872</td></tr><tr><td>Pickering - Deluxe En Suite</td><td>8</td><td>48</td><td>£105</td><td>£5,040</td><td>£40,320</td></tr><tr><td>Bolsover - Standard En Suite</td><td>83</td><td>48</td><td>£109</td><td>£5,232</td><td>£434,256</td></tr><tr><td>Bolsover - Deluxe En Suite</td><td>6</td><td>48</td><td>£114</td><td>£5,472</td><td>£32,832</td></tr><tr><td>Mary Page - 1 Bed Apt</td><td>7</td><td>48</td><td>£135</td><td>£6,480</td><td>£45,360</td></tr><tr><td>Mary Page - 2 Bed Apt</td><td>10</td><td>48</td><td>£99</td><td>£4,752</td><td>£47,520</td></tr><tr><td>Mellor - 1 Bed Apt</td><td>17</td><td>48</td><td>£135</td><td>£6,480</td><td>£110,160</td></tr><tr><td>Mellor - 2 Bed Apt</td><td>8</td><td>48</td><td>£99</td><td>£4,752</td><td>£38,016</td></tr><tr><td>Sub-Total</td><td>394</td><td>48</td><td>£106</td><td>£5,073</td><td>£1,998,816</td></tr><tr><td>Total / Average</td><td>520</td><td>48</td><td>£106</td><td>£5,038</td><td>£2,619,888</td></tr></table>	Description	No. of Beds	Tenancy Length	2016/17 Rent pwk (£)	2016/17 Rent pa (£)	Aggregate Rent pa (£)	Pickering - Standard En Suite	14	48	£101	£4,848	£67,872	Pickering - Deluxe En Suite	8	48	£105	£5,040	£40,320	Bolsover - Standard En Suite	83	48	£109	£5,232	£434,256	Bolsover - Deluxe En Suite	6	48	£114	£5,472	£32,832	Mary Page - 1 Bed Apt	7	48	£135	£6,480	£45,360	Mary Page - 2 Bed Apt	10	48	£99	£4,752	£47,520	Mellor - 1 Bed Apt	17	48	£135	£6,480	£110,160	Mellor - 2 Bed Apt	8	48	£99	£4,752	£38,016	Sub-Total	394	48	£106	£5,073	£1,998,816	Total / Average	520	48	£106	£5,038	£2,619,888
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Total / Average	520	48	£106	£5,038	£2,619,888																																																														
<p>We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.</p> <p>For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2.00% of the direct-let gross rent receivable.</p>																																																																			
2016/17 Gross Rental Value	<p><b>c.£2,620,000 per annum (assuming 100% occupancy).</b></p> <p>Additional incomes are achieved at the property from the onsite laundries forecast to total c.£11,220 per annum.</p>																																																																		
2016/17 Operating Costs	<p><b>£856,927</b> forecast for 2016/17 - Equates to £1,648 per bedspace</p>																																																																		
2016/17 Net Rent after voids and operating costs	<p><b>c.£1,735,000 per annum.</b></p>																																																																		
<b>Market Value and Yields</b>																																																																			
Calculation of 2016/17 Net Rent (pa)	Gross Student Rent			£2,619,888 per annum																																																															
	Less Voids & Bad Debts (2% of direct let rent)			-£39,976 per annum																																																															
	Additional Incomes			£11,223 per annum																																																															
	<b>Total Gross Rent</b>			<b>£2,591,135 per annum</b>																																																															
	Less Operating Costs (£1,648 per bed)			-£856,927 per annum																																																															
	<b>Net Rent</b>			<b>£1,734,208 per annum</b>																																																															
Market Value as at 30 September 2016	<p><b>£29,225,000 (Twenty Nine Million Two Hundred &amp; Twenty Five Thousand Pounds)</b></p>																																																																		

Net Initial Yield (2016/17 net rent)	5.75%	Average Bedspace Value	£56,200 per bed
Purchaser's Costs deducted from gross valuation	£936,100	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.20%.	
Key Investment Considerations			
Strengths/opportunities			
<ul style="list-style-type: none"><li>• The property is situated in close proximity to Sheffield University campus</li><li>• Sheffield University has invested in excess of £100m in new university facilities in recent years.</li><li>• Property benefits from two separate 1-year Nomination Agreements for 126 beds.</li><li>• Property has achieved 100% occupancy rates for current 2016/17 and previous 2015/16 academic years.</li><li>• Good range of accommodation offered to students at all price points.</li></ul>			
Weaknesses/risks			
<ul style="list-style-type: none"><li>• Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>• If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>			

## Sheffield Student Market Summary

### Executive Summary Sheffield student accommodation market

Factor		Rating
Demand	With 48,815 full-time and sandwich students, Sheffield is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Sheffield and Sheffield Hallam University, recent performance has been mixed. The University of Sheffield's full-time student numbers have grown by 10% since 2009/10, with a strong increase in EU and international students, strongly increasing demand for accommodation. Sheffield Hallam University's growth has been more muted at 2%.	
Supply	There are 19,793 purpose-built student bed spaces available to Sheffield students, with the private sector providing c.75% of total supply. To a large extent this is as a result of Sheffield Hallam University having a very small proportion of its own accommodation. Instead, the University relies on short term nomination agreements with the private sector which has engendered strong levels of competition between providers in the City and kept rents extremely competitive in national terms. The University of Sheffield offers over 4,800 bed spaces but it still relies on the private sector to meet demand for accommodation.	
Pipeline	The Sheffield accommodation pipeline is significant, with 2,800 bed spaces with planning approval and a further 831 due to open for the 2016/17 academic year. Two of these have been brought forward by Fresh Student Living. A number of the planned developments will be located close to the Rose accommodation which will increase completion in this area of the City.	
SBR	The City-wide SBR is marginally below the UK average for all years of study (2.0:1 vs. 2.1:1). The first year SBR is slightly lower than the national SBR (0.8:1 vs 1.1:1). These ratios would be impacted by the proposed development pipeline, with ratios becoming 1.8:1 (all students) and 0.7:1 (first years) assuming no further student number growth.	
Location	The two schemes are well located, although Sheffield 3 could be considered somewhat peripheral given the sheer amount of purpose-built accommodation located within the City Centre ring road.	
Rents	Accommodation stock is currently well priced with cluster accommodation offering good value for money given room sizes. Studio accommodation is priced slightly below the rest of the Sheffield market which reflects the quality of the available stock.	

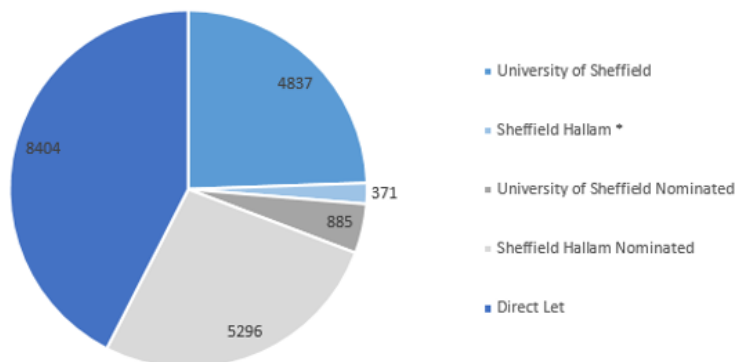
## Supply Overview

### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **19,793 purpose-built student accommodation bed spaces in Sheffield in 2016/17**.

The majority of bed spaces are provided by the private sector (c.75%), of which circa 60% are direct let and the remaining 40% are nominated by universities. The University of Sheffield mainly relies on its own accommodation stock and offers over 4,800 rooms, whilst Sheffield Hallam University does not own any of its own accommodation and instead secures accommodation for students via nominations agreements with the private sector.

#### Sheffield accommodation stock profile 2016/17



Source: C&W Student Accommodation Tracker 2016

\*University operated on 10 year nomination agreement with Pramerica

### University of Sheffield accommodation

The University of Sheffield provides 4,837 bed spaces. The majority of these rooms are provided by a joint venture with Lend Lease (see table below).

The accommodation comprises standard, en-suite, studio and 1 bed flats. The University's main student accommodation is based at Endcliffe and Ranmoor to the western end of the University campus, approximately a 20-25 minute walk and circa 2km from the centre of the campus.

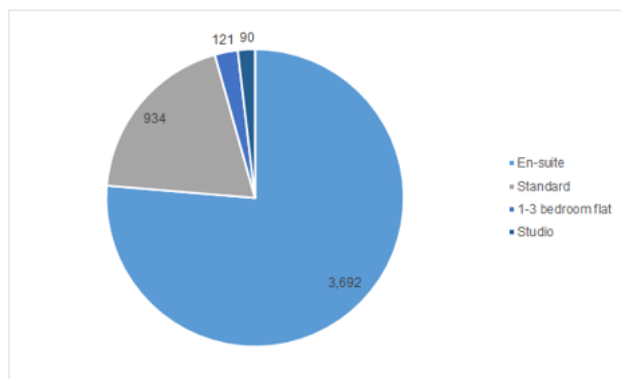
Prices range from £97 for an older standard room on a 51 week tenancy up to £193 for a three bedroom flat on a 52 week tenancy. The University also offers 451 catered standard and en-suite rooms which range from £123 per week to £159 per week on 42 week tenancies. Tenancy lengths are either on 42, 51 or 52 weeks.

Lend Lease (joint venture partner of the University) provides 3,332 rooms (69% of the total university stock).

Accommodation is guaranteed to full-time undergraduate students, full-time postgraduate students, Erasmus students (studying for a full year), study abroad students and students with disabilities.

Operator	Number of Rooms
Lendlease	3,332
University of Sheffield	1,505
<b>Total</b>	<b>4,837</b>

#### Sheffield University accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## Nomination agreements – Sheffield Hallam University

Sheffield Hallam University nominates circa 5,300 rooms in the private sector. Over 85% of these rooms are en-suite, 10% are standard and 4% are studio accommodation.

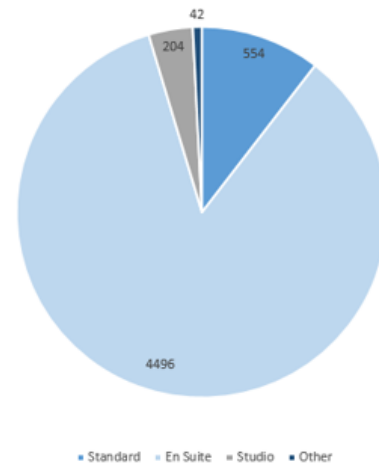
Rents for en-suite rooms range from £60 per person per week for a dual occupancy room to £130 per week for a large en-suite room. Standard rooms are priced from £52 per person per week for a dual occupancy room to £109 for a standard room with a double bed.

Studio rooms are available in Liberty House and Liberty Works and are competitively priced at £89 and £99 per week based on 44 week tenancies. Additional studio accommodation is available at Fenton House ranging from £130 to £155 per week on 44 or 51 week tenancies.

Sheffield Hallam operates one student hall (Charlotte Court) which offers en-suite rooms. Prices vary between £107 and £112 per week on a 43 week tenancy.

All nomination agreements are presented overleaf (this also includes the University of Sheffield's nomination of rooms at Allen Court Apartments).

**Sheffield Hallam University nominations by type 2016/17**

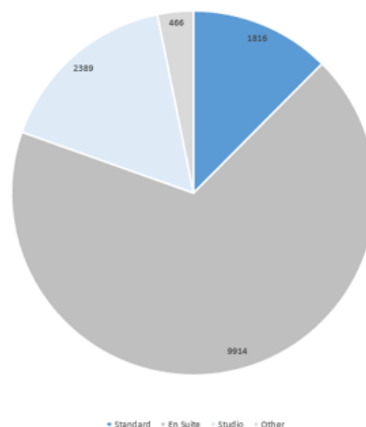


Source: C&W Student Accommodation Tracker 2016

## Composition of the private sector market

As can be seen from the table below, the most common room type provided by the private sector is en-suite accommodation, accounting for c.68% of all bed spaces. Standard rooms and studios make up 12.5% and 16% of the supply respectively. 1 and 2 bedroom apartments comprise 3.5% of the accommodation supply.

**Private sector accommodation by room type 2016/17**



Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Sheffield demand pool

The pool calculation below sets out our assumptions of demand (University of Sheffield and Sheffield Hallam University) for student accommodation in Sheffield taking into account the University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area as well as students that are likely to be on a work placement year and will potentially be based away from the Sheffield area.

ALL STUDENTS	2016/17
Total Full time & sandwich students	48,815
Full Time	41,110
Sandwich	7,705
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	1,845
students from the region not likely to demand accommodation	7,310
<b>TOTAL POOL</b>	<b>39,660</b>
<b>Number of Beds (university + private)</b>	<b>19,793</b>
<b>Student:Bed ratio (city wide)</b>	<b>2.0</b>

Source: HESA 2014/15, University and private provider websites

ALL STUDENTS	2016/17
Total Full time & sandwich students	20,365
Full Time	17,270
Sandwich	3,095
From which:	
<b>Deduction from the Pool of students</b>	
Sandwich students from outside the region on a placement year	745
students from the region not likely to demand accommodation	3,105
<b>TOTAL POOL</b>	<b>16,515</b>
<b>Number of Beds (university + private)</b>	<b>19,793</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.8</b>

*Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1.*

*As can be seen from the table the current ratio in Sheffield is marginally below the national average (2.0:1).*

The first year only student to bed ratio is slightly below Cushman & Wakefield's nationally-observed average of 0.9:1.



## Sheffield 2, Sheffield

### 2016/17 Rents

#### Inputs - Revenue

Bed Spaces	520	
Av. Tenancy Length (weeks)	48.00	
Av. Rent per week	£ 105.69	
Gross Student Rent	£ 2,619,888	
Running Void & Incentives	£ 39,976	1.53% of Gross Rent
Additional Income	£ 11,223	
Total Annual Rent (£)	£ 2,591,135	

#### Inputs - Operating Costs

Total Operating Costs (£)	£ 856,927	32.71% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,648	

**Net Rent** £ **1,734,208**

#### MV

Yield	5.75%	
YP	17.391	
Gross MV	£30,160,134	
Refurbishment	£ -	
Immediate Capex	£ -	
Adj. Gross MV	£ 30,160,134	

Purchasers Costs	£936,100	3.20%
Market Value (£)	£ 29,224,034	

**Say** £ **29,225,000**

£ 56,201.92	per bed space	8.59% Gross Yield
5.75%	Net Initial Yield	5.75% Reversionary Yield

#### IRR Cashflow

Rent increases pa		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
		1	2	3	4	5	6	7	8	9	10
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	2,591,135	2,668,869	2,748,935	2,831,403	2,916,345	3,003,835	3,093,950	3,186,769	3,282,372	3,380,843	3,482,268
	2,591,135	2,668,869	2,748,935	2,831,403	2,916,345	3,003,835	3,093,950	3,186,769	3,282,372	3,380,843	3,482,268
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	856,927	878,350	900,309	922,817	945,887	969,534	993,773	1,018,617	1,044,082	1,070,184	1,096,939
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	856,927	878,350	900,309	922,817	945,887	969,534	993,773	1,018,617	1,044,082	1,070,184	1,096,939
EBITDA	1,734,208	1,790,519	1,848,626	1,908,586	1,970,458	2,034,301	2,100,178	2,168,152	2,238,290	2,310,659	2,385,329
Margin	66.9%	67.1%	67.2%	67.4%	67.6%	67.7%	67.9%	68.0%	68.2%	68.3%	68.5%
		1	2	3	4	5	6	7	8	9	10
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
		0	0	0	0	0	0	0	0	0	0
Cashflow		1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-30,160,134										
EBITDA		1,734,208	1,790,519	1,848,626	1,908,586	1,970,458	2,034,301	2,100,178	2,168,152	2,238,290	2,310,659
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											34,409,907
	-30,160,134	1,734,208	1,790,519	1,848,626	1,908,586	1,970,458	2,034,301	2,100,178	2,168,152	2,238,290	36,720,566
Running Multiple on EBITDA		17.39	16.84	16.31	15.80	15.31	14.83	14.36	13.91	13.47	13.05
Running Yield on initial outlay		6%	6%	6%	6%	7%	7%	7%	7%	7%	122%
Cumulative Cost		30,160,134	30,160,134	30,160,134	30,160,134	30,160,134	30,160,134	30,160,134	30,160,134	30,160,134	30,160,134
Running Yield on Cumulative Cost		5.8%	5.9%	6.1%	6.3%	6.5%	6.7%	7.0%	7.2%	7.4%	7.7%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	1,734,208										
Gross Value	30,160,134	5.75%									
Less Purchasers Costs	3,203,222										
Net Value	29,194,048										
Exit Value											
EBITDA Multiple	15.38	6.50%									
2026/27 EBITDA	2,310,659										
Gross Value	35,548,595										
Less Purchasers Costs	3,203,222										
Net Value	34,409,907										
Ungeared IRR	7.53%										

#### Geared Cashflow


		1	2	3	4	5	6	7	8	9	10
		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-12,643,704										
EBITDA		1,734,208	1,790,519	1,848,626	1,908,586	1,970,458	2,034,301	2,100,178	2,168,152	2,238,290	2,310,659
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986	-1,050,986
Exit Price		0	0	0	0	0	0	0	0	0	16,893,478
	-12,643,704	683,222	739,533	797,640	857,600	919,472	983,315	1,049,192	1,117,166	1,187,304	18,153,151
Geared IRR	9.39%										

#### Debt Assumptions

Purchase Price	29,194,048
Loan to Value	60%
Debt	17,516,429
Interest Rate	6%
Annual interest payment	1,050,986
Equity Injection plus purch costs	12,643,704

## **14. Sheffield 3, 80 Hoyle Street, Sheffield, S3 7LG**

## Executive Summary

<p>Sheffield 3, 80 Hoyle Street, Sheffield, S3 7LG</p>													
<p>Location</p>	<p>Sheffield is located approximately 10 km (6 miles) to the south west of Rotherham, 48 km (30 miles) south of Leeds, 55 km (34 miles) east of Manchester and 201 km (125 miles) north of London. The city is situated within close proximity to the region's motorway network, being located to the west of the M1 that links Leeds to the north and London to the south with access to the cities of Nottingham, Leicester and other towns.</p> <p>The property is in close proximity to the University of Sheffield with the main campus situated within a 10 minute walk of the subject.</p> <p>Sheffield's central railway station is situated approximately 1.6km (1.0 mile) from the subject.</p>												
<p>Approximate year of construction</p>	<p>2009</p>												
<p>Tenure</p>	<p>Part Freehold and Part Leasehold</p>												
<p><b>Student Property Element</b></p>													
<p>Accommodation</p>	<p>The student element of the property provides a total of 992 student bedspaces arranged within 183 cluster flats and 190 studios.</p> <p>The accommodation throughout the cluster flats is mixed with the Standard Plus and Deluxe En Suite bedspaces dispersed amongst the Standard En Suite accommodation.</p> <table border="1" data-bbox="568 1704 1197 1984"> <thead> <tr> <th>Bedspace Type</th><th>No. Bedspaces</th></tr> </thead> <tbody> <tr> <td>Standard En-suite</td><td>100</td></tr> <tr> <td>Standard Plus En-suite</td><td>631</td></tr> <tr> <td>Deluxe En-suite</td><td>83</td></tr> <tr> <td>Studio</td><td>178</td></tr> <tr> <td><b>Scheme Total</b></td><td><b>992</b></td></tr> </tbody> </table>	Bedspace Type	No. Bedspaces	Standard En-suite	100	Standard Plus En-suite	631	Deluxe En-suite	83	Studio	178	<b>Scheme Total</b>	<b>992</b>
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Standard Plus En-suite	631												
Deluxe En-suite	83												
Studio	178												
<b>Scheme Total</b>	<b>992</b>												

Tenancies	The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs).																																																																																																																				
	There is a Nomination Agreement with the University of Sheffield for the 2016/17 academic year for 395 bedspaces let on terms of 42 weeks.																																																																																																																				
	There is a further Nomination Agreement with the Unilodgers for the 2016/17 academic year for 7 bedspaces let on 51 week terms.																																																																																																																				
	The remaining 590 bedspaces are let on a direct-let basis on terms of 44 or 51 weeks.																																																																																																																				
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We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.																																																																																																																					
For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 2% of the direct-let gross rent receivable.																																																																																																																					
2016/17 Gross Rental Value	<b>£5,384,430 per annum (assuming 100% occupancy).</b>																																																																																																																				
Additional incomes are achieved at the property from Summer lettings, onsite laundry and car parking forecast to total c.£137,185 per annum.																																																																																																																					







2016/17 Operating Costs	£1,516,178 forecast for 2016/17 - Equates to £1,528 per bedspace		
2016/17 Net Rent after voids and operating costs	c.£3,937,000 per annum.		
Market Value and Yields			
Calculation of 2016/17 Net Rent (pa)	Gross student rent		£5,384,430 per annum
	Less Voids & Bad Debts (2.00% of direct let rents)		-£68,751 per annum
	Additional Incomes		£137,185 per annum
	Total Gross Rent		£5,452,864 per annum
	Less operating costs (£1,528 per bed)		-£1,516,178 per annum
	Net Rent		£3,936,686 per annum
Market Value as at 30 September 2016	£66,390,000 (Sixty Six Million Three Hundred & Ninety Thousand Pounds)		
Net Initial Yield (2016/17 net rent)	5.75%	Average Bedspace Value	£66,925 per bed
Purchaser's Costs deducted from gross valuation	£2,070,798	Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 3.12%.	
Commercial Property Element			
Accommodation	Self-contained office accommodation within Block A (South Block) arranged over ground and 6 upper floors, together with a ground floor element within Block K (South Block).		
Floor Areas	2,877 sq m (30,970 sq ft) NIA		
Tenancies	<u>Block A and ground floor of Block K of the South Block</u> <ul style="list-style-type: none"><li>Floor area 2,646 sq m (28,482 sq ft) NIA</li><li>10 year lease to the University of Sheffield with effect from 2 November 2009 (c. 3 years 3 months remaining as at the valuation date).</li><li>Passing rent of £265,000 per annum.</li><li>No further rent reviews prior to expiry (previous review in November 2014).</li><li>Passing rent equates to £100 per sq m (£9.30 per sq ft).</li><li>Additional Service Charge income of £100,000 per annum.</li></ul> <u>Former retail accommodation, Ground Floor Block A</u> <ul style="list-style-type: none"><li>Floor area 231 sq m (2,490 sq ft) NIA</li><li>Co-terminus lease with above from 2013/14.</li><li>Accommodation converted to a café area and additional teaching space at the Tenant's own cost.</li><li>Passing rent of a Peppercorn.</li></ul>		
Passing Rent	£265,000 per annum (£9.30 per sq ft on Block A only)		

Market Rent	£290,000 per annum (£9.30 per sq ft)				
Commercial Market Value as at 30 September 2016	£3,030,000 (Three Million & Thirty Thousand Pounds)				
Net Initial Yield	10.74%	Equivalent Yield	9.00%	Reversionary Yield	10.00%
Purchaser's Costs deducted from gross valuation	£196,209	Purchaser's costs including SDLT, legal and agent's fees totalling 3.12%.			
Aggregate Market Value					
Market Value as at 30 September 2016	£69,420,000 (Sixty Nine Million Four Hundred & Twenty Thousand Pounds)				
Key Investment Considerations					
Strengths/opportunities					
<ul style="list-style-type: none"><li>• The property is situated in close proximity to Sheffield University campus</li><li>• Sheffield University has invested in excess of £100m in new university facilities in recent years</li><li>• Benefits from two Nomination Agreements for the 2016/17 academic year.</li><li>• Property has achieved 100% occupancy rates for current 2016/17 and previous 2015/16 academic years.</li></ul>					
Weaknesses/risks					
<ul style="list-style-type: none"><li>• Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.</li><li>• If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.</li></ul>					

## Sheffield Student Market Summary

### Executive Summary

#### Sheffield student accommodation market

Factor		Rating
Demand	With 48,815 full-time and sandwich students, Sheffield is one of the UK's key student markets. Whilst student numbers are divided almost equally between the University of Sheffield and Sheffield Hallam University, recent performance has been mixed. The University of Sheffield's full-time student numbers have grown by 10% since 2009/10, with a strong increase in EU and international students, strongly increasing demand for accommodation. Sheffield Hallam University's growth has been more muted at 2%.	
Supply	There are 19,793 purpose-built student bed spaces available to Sheffield students, with the private sector providing c.75% of total supply. To a large extent this is as a result of Sheffield Hallam University having a very small proportion of its own accommodation. Instead, the University relies on short term nomination agreements with the private sector which has engendered strong levels of competition between providers in the City and kept rents extremely competitive in national terms. The University of Sheffield offers over 4,800 bed spaces but it still relies on the private sector to meet demand for accommodation.	
Pipeline	The Sheffield accommodation pipeline is significant, with 2,800 bed spaces with planning approval and a further 831 due to open for the 2016/17 academic year. Two of these have been brought forward by Fresh Student Living. A number of the planned developments will be located close to the Rose accommodation which will increase completion in this area of the City.	
SBR	The City-wide SBR is marginally below the UK average for all years of study (2.0:1 vs. 2.1:1). The first year SBR is slightly lower than the national SBR (0.8:1 vs 1.1:1). These ratios would be impacted by the proposed development pipeline, with ratios becoming 1.8:1 (all students) and 0.7:1 (first years) assuming no further student number growth.	
Location	The two schemes are well located, although Sheffield 3 could be considered somewhat peripheral given the sheer amount of purpose-built accommodation located within the City Centre ring road.	
Rents	Accommodation stock is currently well priced with cluster accommodation offering good value for money given room sizes. Studio accommodation is priced slightly below the rest of the Sheffield market which reflects the quality of the available stock.	

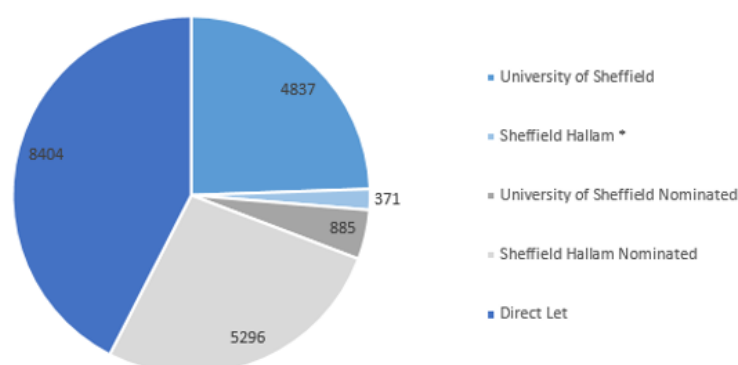
### Supply Overview

#### University and private sector accommodation

The Cushman & Wakefield Student Accommodation Tracker records **19,793 purpose-built student accommodation bed spaces in Sheffield in 2016/17**.

The majority of bed spaces are provided by the private sector (c.75%), of which circa 60% are direct let and the remaining 40% are nominated by universities. The University of Sheffield mainly relies on its own accommodation stock and offers over 4,800 rooms, whilst Sheffield Hallam University does not own any of its own accommodation and instead secures accommodation for students via nominations agreements with the private sector.

#### Sheffield accommodation stock profile 2016/17



Source: C&W Student Accommodation Tracker 2016

\*University operated on 10 year nomination agreement with Pramerica

## University of Sheffield accommodation

The University of Sheffield provides 4,837 bed spaces. The majority of these rooms are provided by a joint venture with Lend Lease (see table below).

The accommodation comprises standard, en-suite, studio and 1 bed flats. The University's main student accommodation is based at Endcliffe and Ranmoor to the western end of the University campus, approximately a 20-25 minute walk and circa 2km from the centre of the campus.

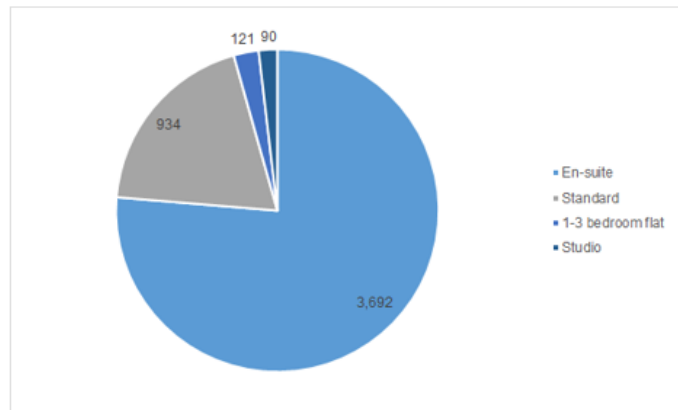
Prices range from £97 for an older standard room on a 51 week tenancy up to £193 for a three bedroom flat on a 52 week tenancy. The University also offers 451 catered standard and en-suite rooms which range from £123 per week to £159 per week on 42 week tenancies. Tenancy lengths are either on 42, 51 or 52 weeks.

Lend Lease (joint venture partner of the University) provides 3,332 rooms (69% of the total university stock).

Accommodation is guaranteed to full-time undergraduate students, full-time postgraduate students, Erasmus students (studying for a full year), study abroad students and students with disabilities.

Operator	Number of Rooms
Lendlease	3,332
University of Sheffield	1,505
<b>Total</b>	<b>4,837</b>

Sheffield University accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## Nomination agreements – Sheffield Hallam University

Sheffield Hallam University nominates circa 5,300 rooms in the private sector. Over 85% of these rooms are en-suite, 10% are standard and 4% are studio accommodation.

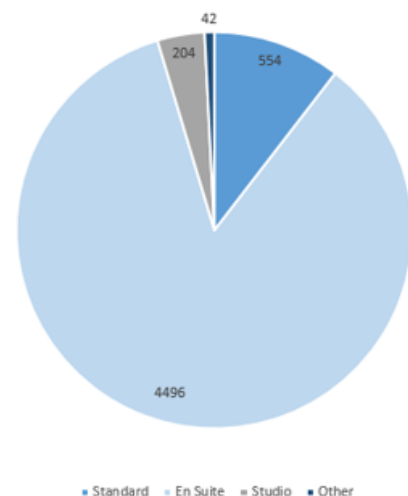
Rents for en-suite rooms range from £60 per person per week for a dual occupancy room to £130 per week for a large en-suite room. Standard rooms are priced from £52 per person per week for a dual occupancy room to £109 for a standard room with a double bed.

Studio rooms are available in Liberty House and Liberty Works and are competitively priced at £89 and £99 per week based on 44 week tenancies. Additional studio accommodation is available at Fenton House ranging from £130 to £155 per week on 44 or 51 week tenancies.

Sheffield Hallam operates one student hall (Charlotte Court) which offers en-suite rooms. Prices vary between £107 and £112 per week on a 43 week tenancy.

All nomination agreements are presented overleaf (this also includes the University of Sheffield's nomination of rooms at Allen Court Apartments).

Sheffield Hallam University nominations by type 2016/17



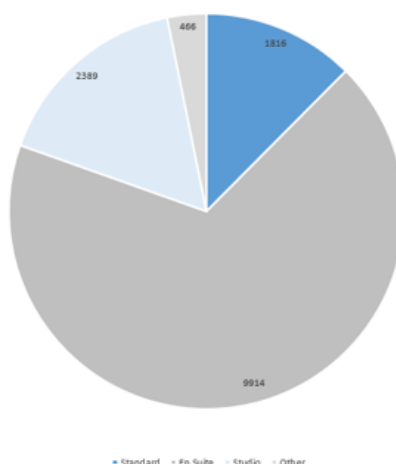
Source: C&W Student Accommodation Tracker 2016



## Composition of the private sector market

As can be seen from the table below, the most common room type provided by the private sector is en-suite accommodation, accounting for c.68% of all bed spaces. Standard rooms and studios make up 12.5% and 16% of the supply respectively. 1 and 2 bedroom apartments comprise 3.5% of the accommodation supply.

Private sector accommodation by room type 2016/17



Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Sheffield demand pool

The pool calculation below sets out our assumptions of demand (University of Sheffield and Sheffield Hallam University) for student accommodation in Sheffield taking into account the University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from the region who live within a commutable area as well as students that are likely to be on a work placement year and will potential be based away from the Sheffield area.

ALL STUDENTS	2016/17
Total Full time & sandwich students	48,815
Full Time	41,110
Sandwich	7,705
From which:	
Deduction from the Pool of students	
Sandwich students from outside the region on a placement year	1,845
students from the region not likely to demand accommodation	7,310
<b>TOTAL POOL</b>	<b>39,660</b>
<b>Number of Beds (university + private)</b>	<b>19,793</b>
<b>Student:Bed ratio (city wide)</b>	<b>2.0</b>

Source: HESA 2014/15, University and private provider websites

ALL STUDENTS	2016/17
Total Full time & sandwich students	20,365
Full Time	17,270
Sandwich	3,095
From which:	
Deduction from the Pool of students	
Sandwich students from outside the region on a placement year	745
students from the region not likely to demand accommodation	3,105
<b>TOTAL POOL</b>	<b>16,515</b>
<b>Number of Beds (university + private)</b>	<b>19,793</b>
<b>Student:Bed ratio (city wide)</b>	<b>0.8</b>

Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1.

As can be seen from the table the current ratio in Sheffield is marginally below the national average (2.0:1).

The first year only student to bed ratio is slightly below Cushman & Wakefield's nationally-observed average of 0.9:1.

# Sheffield 3, Sheffield

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	992	
Av. Tenancy Length (weeks)	45.87	
Av. Rent per week	£ 118.17	
Gross Student Rent	£ 5,384,430	
Running Void & Incentives	£ 68,751	1.28% of Gross Rent
Additional Income	£ 137,185	
Total Annual Rent (£)	£ 5,452,864	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 1,516,178	28.16% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,528	

**Net Rent** £ 3,936,686

### MV

Yield	5.75%
YP	17.391
Gross MV	£68,464,107
Refurbishment	£ -
Immediate Capex	£ -
Adj. Gross MV	£ 68,464,107

Purchasers Costs	£2,070,798	3.12%
Market Value (£)	£ 66,393,309	

**Say** £ 66,390,000

£ 66,925.40 per bed space	7.96% Gross Yield
5.75% Net Initial Yield	5.75% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	5,452,864	5,616,450	5,784,944	5,958,492	6,137,247	6,321,364	6,511,005	6,706,335	6,907,525	7,114,751	7,328,193
	5,452,864	5,616,450	5,784,944	5,958,492	6,137,247	6,321,364	6,511,005	6,706,335	6,907,525	7,114,751	7,328,193
		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Overheads											
Operating Costs	1,516,178	1,554,082	1,592,935	1,632,758	1,673,577	1,715,416	1,758,302	1,802,259	1,847,316	1,893,499	1,940,836
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	1,516,178	1,554,082	1,592,935	1,632,758	1,673,577	1,715,416	1,758,302	1,802,259	1,847,316	1,893,499	1,940,836
EBITDA	3,936,686	4,062,368	4,192,009	4,325,734	4,463,670	4,605,948	4,752,703	4,904,076	5,060,210	5,221,252	5,387,357
Margin	72.2%	72.3%	72.5%	72.6%	72.7%	72.9%	73.0%	73.1%	73.3%	73.4%	73.5%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-68,464,107										
EBITDA	3,936,686	4,062,368	4,192,009	4,325,734	4,463,670	4,605,948	4,752,703	4,904,076	5,060,210	5,221,252	
Capex	0	0	0	0	0	0	0	0	0	0	
Exit Price										79,659,878	
	-68,464,107	3,936,686	4,062,368	4,192,009	4,325,734	4,463,670	4,605,948	4,752,703	4,904,076	5,060,210	
Running Multiple on EBITDA	17.39	16.85	16.33	15.83	15.34	14.86	14.41	13.96	13.53	13.11	
Running Yield on initial outlay	6%	6%	6%	6%	7%	7%	7%	7%	7%	124%	
Cumulative Cost	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	68,464,107	
Running Yield on Cumulative Cost	5.8%	5.9%	6.1%	6.3%	6.5%	6.7%	6.9%	7.2%	7.4%	7.6%	
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	3,936,686										
Gross Value	68,464,107	5.75%									
Less Purchasers Costs	3.1190%										
Net Value	66,328,721										
Exit Value											
EBITDA Multiple	15.75	6.35%									
2026/27 EBITDA	5,221,252										
Gross Value	82,224,447										
Less Purchasers Costs	3.1190%										
Net Value	79,659,878										
Ungeared IRR	7.67%										

### Geared Cashflow

	1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Entry Price	-28,666,875									
EBITDA	3,936,686	4,062,368	4,192,009	4,325,734	4,463,670	4,605,948	4,752,703	4,904,076	5,060,210	5,221,252
Capex	0	0	0	0	0	0	0	0	0	0
Finance Cost	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834	-2,387,834
Exit Price		0	0	0	0	0	0	0	0	39,862,645
	-28,666,875	1,548,852	1,674,534	1,804,175	1,937,900	2,075,836	2,218,114	2,364,869	2,516,242	2,672,376
Geared IRR	9.67%									

### Debt Assumptions

Purchase Price	66,328,721
Loan to Value	60%
Debt	39,797,233
Interest Rate	6%
Annual Interest payment	2,387,834
Equity Injection plus purch costs	28,666,875

## Sheffield 3 - Offices, September 2016, Rose Portfolio

Report Date 16 November 2016  
Valuation Date 30 September 2016

File/Ref No  
Region UK Yorks & Humber  
Sector Offices  
Use Offices

Description / Notes **Assumptions**

Valuation Tables Annually in Arrears

**Valuation**

Gross Valuation		<u>£3,384,534</u>
Capital Costs		-£162,780
Net Value Before Fees		<u>£3,221,754</u>
Less Stamp Duty	@ 4.65% of Net Value	-£140,823
Agents Fee	@ 1.00% of Net Value	-£36,317
Legal Fee	@ 0.50% of Net Value	-£18,159

Fees include non recoverable VAT @ 20.00 %

Net Valuation		£3,026,455
	Say	<u>£3,030,000</u>

Equivalent Yield	9.0000%	True Equivalent Yield	9.4933%
Initial Yield (Deemed)	10.7844%	Initial Yield (Contracted)	10.7844%
Reversion Yield	10.0457%		

Total Contracted Rent	£265,000	Total Current Rent	£265,000
Total Rental Value	£290,000	No. Tenants	1
Capital value per ft²	£97.84		

**Running Yields**

Date	Gross Rent	Net Rent	Annual	Quarterly
30-Sep-2016	£265,000	£365,000	10.7844 %	11.5524 %
02-Nov-2019	£0	£0	0.0000 %	0.0000 %
02-Nov-2021	£290,000	£340,000	10.0457 %	10.7096 %

Yields based on £3,384,534

## Sheffield 3 - Offices, September 2016, Rose Portfolio

Report Date 16 November 2016  
Valuation Date 30 September 2016

Freehold TenureTenant - University of Sheffield

Description Offices - Block A & K  
Status Occupied and Let  
Lease 10 years from 02-Nov-2009  
Expiring 01-Nov-2019  
Rent Reviews every 5 years Upward only  
Parent Tenure Freehold  
Current Rent £265,000  
Rental Value £290,000  
Valuation Method Hardcore (9.000 % )

NotesAreas

Areas	per ft <sup>2</sup>	ft <sup>2</sup>	% of ERV	+/- % adjust	Rent pa
GF - 6F	£9.30	30,970	100.00 %	0.00	£288,021
		30,970			£288,021
*Rental Value using Manually input ERV					£290,000

Lease History

Date	Years	Months	Days	Event	Rent Paid
02-Nov-2014	5	0	0	Review	£265,000
02-Nov-2019	2	0	0	Post Void	£0
02-Nov-2021	0	0	0	Reversion	£290,000

Capital Costs/Income

Label	Timing	Initial Annual Amount	Discounted Value
Void Rates	On All Voids (+3 mths) every 12 months until Fixed	£59,640 pa = -£59,640	-£119,280
L&L Costs	On Lease Start/Renwal With Void	ERV £290,000 @ 15.0000 % = -£43,500	-£43,500
			-£162,780

Running Costs

Label	Timing	Initial Annual Amount
Service Charge Rebate	On Valuation every 12 months until lease ex Fixed	-£100,000 pa = £100,000
Service Charge Rebate	On Lease Start/Renwal With Void every 12	Fixed -£50,000 pa = £50,000
		£150,000

Component Valuation

30-Sep-2016			
Gross rent (Current)		£265,000	
Less costs		£100,000	
Net rent		£365,000	
Valuation rent		£365,000	
YP perp	@ 9.00%	11.1111 yp	
			<u>£4,055,556</u>
02-Nov-2019			
Gross rent	(Re-letting Void)	£0	
Valuation rent		-£365,000	
YP 2 Yrs 0 Mths	@ 9.00%	1.7591 yp	
PV 3 Yrs 1 Month @ 9.00%		x 0.7661	
		1.3477 yp	
			<u>-£491,904</u>
02-Nov-2021			

**Sheffield 3 - Offices, September 2016, Rose Portfolio**

**Report Date** 16 November 2016  
**Valuation Date** 30 September 2016

Gross rent	(Reversion)	£290,000	
Less costs	£50,000		
Net rent	£340,000		
Valuation rent		-£25,000	
YP perp	@ 9.00%	11.1111 yp	
PV 5 Yrs 1 Month @ 9.00%		x 0.6448	
		7.1647 yp	
			<u>-£179,118</u>
<b>Gross Value</b>			<b><u>£3,384,534</u></b>

## **15. Snowdon Hall, Vicarage Hill, Wrexham, LL13 7HN**

## Executive Summary

Snowdon Hall,  
Vicarage Hill,  
Wrexham,  
LL13 7HN



### Location

The property is located close to Wrexham town centre and easily accessible to the various amenities associated with the town centre. The majority of neighbouring uses include leisure, retail and some commercial businesses. The property is located approximately 1.1 km from Glyndwr University.

Approximate year of  
construction

2000

Tenure

Freehold

### Accommodation

156 student en suite bedspaces arranged within 28 cluster flats ranging in size from 2 to 6 bedspaces.

Bedspace Type	No. Flats	No. Bedspaces
En-suite Cluster Flat	1 x 2-Bed Flat	156
	1 x 3-Bed Flat	
	1 x 4-Bed Flat	
	4 x 5-Bed Flat	
	21 x 6-Bed Flat	
<b>Total</b>	<b>28 flats</b>	<b>156</b>

### Tenancies

The individual bedspaces are let to students by way of Assured Shorthold Tenancies (ASTs) for terms of 37 or 51 weeks.

We are advised that all bedspaces are let on a direct-let basis.

	Description	No. of Beds	Tenancy Length	2016/17 Rent Per Bed pwk (£)	2016/17 Rent Per Bed pa (£)	Aggregate Rent pa (£)
	Standard	18	51	£60.00	£3,060	£55,080
		23	37	£65.00	£2,405	£55,315
	Standard Plus	44	51	£64.00	£3,264	£143,616
		52	37	£69.00	£2,553	£132,756
	Deluxe	5	51	£73.00	£3,723	£18,615
		12	37	£75.00	£2,775	£33,300
	Double	1	51	£90.00	£4,590	£4,590
		1	37	£95.00	£3,515	£3,515
	Total / Average	156	43.10	£66.85	£2,864	£446,787
We are advised by the Borrower that the property has achieved 100% occupancy for the 2016/17 academic year.						
For the purpose of our valuations we have allowed for a standard market assumption of voids, bad debts and incentives at 5.00% of the direct-let gross rent receivable, reflective of the strength of the student market in Wrexham.						
2016/17 Gross Rental Value	c.£446,800 per annum (assuming 100% occupancy).					
	Additional incomes are achieved at the property from Summer lettings, onsite laundry and car parking forecast to total c.£41,000 per annum.					
2016/17 Operating Costs	£283,781 forecast for 2016/17 - Equates to £1,819 per bedspace					
2016/17 Net Rent after voids and operating costs	c.£181,700 per annum.					
Market Value and yields						
Calculation of 2016/17 net rent (pa)	Gross Student Rent			£446,787 per annum		
	Less Voids & Bad Debts (5%)			-£22,339 per annum		
	Additional Incomes			£41,044 per annum		
	Total Gross Rent			£465,492 per annum		
	Less Operating Costs (£1,819 per bed)			-£283,781 per annum		
	Net Rent			£181,711 per annum		
Market Value as at 30 September 2016	£2,355,000 (Two Million Three Hundred and Fifty Five Thousand Pounds)					
Net Initial Yield (2016/17 Net Rent)	7.50%		Bedspace Value		£15,096	
Purchaser's Costs deducted from gross valuation	£65,991		Purchaser's costs including SDLT with Multiple Dwelling Relief, legal and agent's fees totalling 2.80%.			



## Key Investment Considerations

### Strengths/opportunities

- Good student location, which is well placed for access to the town centre and the associated amenities and within approximately 1km from Glyndwr University.
- The property has achieved 100% core occupancy for the 2016/17 academic year.
- Previous year appears to have high occupancy levels.
- Potential for Nominations Agreement with Glyndwr University.







### Weaknesses/risks

- The Wrexham student market is considered to be secondary, with demand predominantly from a single education provider.
- Should this scheme not be operated by a due diligent manager/operator the cost of operation could increase which would impact market value.
- If the scheme is not duly marketed and maintained in a good condition it could impact occupancy and subsequently market value.
- The scheme was built in approximately 2000 and the majority of the communal space and student rooms are in basic condition and will require investment in the near future.

## Wrexham Student Market Summary

### Executive Summary

#### Wrexham student accommodation market

Factor		Rating
Demand	With just over 3,840 full-time students, Glyndwr University represents the main source of demand for PBSA in Wrexham. Growth in total full-time students was slightly below the UK average over recent years (4% vs 6%; 2009-2014). The main campus in Wrexham saw a decline in student numbers by 7% (2012-2014). The University is mainly a locally recruiting institution, although there has been an increase in UK students from outside Wales during the last years. A new interim management team was appointed in 2015 to address the University's mixed historic performance and manage the turnaround to enable stronger growth in future.	
Supply	Both private and university PBSA is limited (in both quantity and choice). Overall, room supply is relatively dated. The University is currently not able to guarantee accommodation for its first year students and nominates rooms at Wrexham Hall.	
Pipeline	Very restricted planning pipeline which reduces the risk of a potential increase in competition, but also reflects the inability of the market to attract private sector development.	
SBR	The city-wide SBR is in line with the UK average for all years of study (2.1:1 vs. 2.1:1). The first year SBR is slightly lower than the national SBR (1.0:1 vs 1.1:1). This could potentially lead to an oversupply situation should student numbers decline further on the Wrexham Campus.	
Location	Snowdon Hall is the only student accommodation block in the City Centre with good access to Glyndwr University and the Bangor University Wrexham Campus.	
Rents	Snowdon Hall is competitively priced in comparison to Wrexham Village, University accommodation as well as the HMO sector.	

## Supply Overview

### University and private sector accommodation

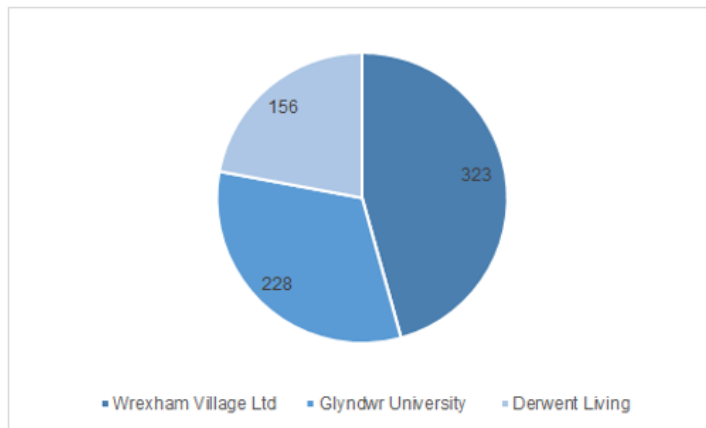
The Cushman & Wakefield Student Accommodation Tracker records **707 purpose-built student accommodation bed spaces in Wrexham in 2016/17**.

Both private and university student accommodation is limited. The University provides nearly a third of all bed spaces, while the remaining beds are offered by two private operators, Derwent Living (Snowdon Hall) and Wrexham Village Ltd. The University nominates an unknown number of rooms at Wrexham Village which also provides a limited number of rooms for conference delegates.

There have not been any new builds during the last two years, although most rooms at Snowdon Hall have recently been refurbished.

Accommodation stock in the City is examined in more detail overleaf, with a breakdown provided opposite.

#### Wrexham accommodation stock profile 2015/16



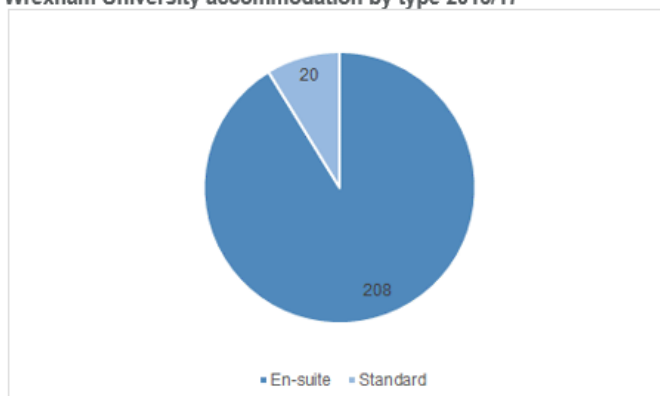
Source: C&W Student Accommodation Tracker 2016

### Glyndwr University accommodation

The University owns and operates 228 bed spaces. 208 of these beds are located on its main campus in Wrexham (The Student Village) with the remaining 20 beds being situated at its smaller campus in Flintshire (Corbishley Hall).

Student Village in Wrexham offers en-suite rooms at £95 per week on a 37 week let term. Rooms in Flintshire are standard and priced £83 per week on a 50 week let term.

#### Wrexham University accommodation by type 2016/17



Source: C&W Student Accommodation Tracker 2016

## Private sector accommodation

Besides Snowdon Hall, there is only one other direct let scheme in the City which is Wrexham Village. It was opened post 2010 and consists of two blocks, John Neal Building where 6-7 students share a kitchen, and Erddig Building with shared flats for 7-8 students each.

Overall, the price level at Wrexham Village is slightly higher than at Snowdon Hall reflecting the closer location to campus and more spacious rooms on offer. The University reserves a number of rooms at Wrexham Village. The remaining rooms are let directly to students. A limited number of rooms are let as business accommodation on flexible let terms lasting from one night to 52 weeks.

Unlike Wrexham Village, Snowdon Hall provides different sizes of en-suite rooms. Overall however choice of room types in the City is limited to en-suite accommodation, for instance there is no studio, townhouse or standard accommodation available.

### Private sector accommodation supply 2016/17

Block	Operator	University relationship	Room type	No of beds	Weekly rent	Lease length	Annual rent
Corbishley Hall	Glyndwr University	n/a	Standard	20	£83.75	50	£4,187.50
Snowdon Hall	Derwent Living	Direct Let	Small En-suite	10	£65.00	37	£2,405.00
			Small En-suite	4	£60.00	51	£3,060.00
			Small en-suite refurbished	15	£69.00	37	£2,553.00
			Small en-suite refurbished	4	£64.00	51	£3,264.00
			En-suite	90	£75.00	37	£2,775.00
			En-suite	20	£73.00	51	£3,723.00
			Large En-suite	10	£99.00	37	£3,663.00
			Large En-suite	3	£95.00	51	£4,845.00
Student Village	Glyndwr University	n/a	En-suite	208	£96.50	37	£3,570.50
Wrexham Village	Wrexham Village Ltd	Glyndwyr University	En-suite	273	£102.00	37	£3,774.00
			En-suite	50	£95.00	40	£3,800.00

Source: C&W Student Accommodation Tracker 2016

## Demand and Supply Dynamics

### The Wrexham demand pool

The pool calculation below sets out our assumptions of demand (students at Glyndwr University's main campus and Bangor University's Wrexham campus) for student accommodation in Wrexham taking into account University and private sector supply of accommodation, and latest HESA student number data (2014/15). In arriving at our demand pool, C&W has excluded a number of students who are unlikely to demand accommodation in the City. This includes those students from nearby counties who live within a commutable area (and this has been sensitivity checked to ensure accuracy).

ALL STUDENTS	2016/17	FIRST YEARS	2016/17
Total Full time & sandwich students	3,845	Total Full time & sandwich students	1,430
Full Time	3,845	Full Time	1,430
Sandwich	-	Sandwich	-
From which:		From which:	
Deduction from the Pool of students		Deduction from the Pool of students	
Students from Denbighshire, Flintshire, Wrexham, Cheshire and Staffordshire not likely to demand accommodation	2,340	Students from Denbighshire, Flintshire, Wrexham, Cheshire and Staffordshire not likely to demand accommodation	735
TOTAL POOL	1,505	TOTAL POOL	695
Number of Beds (university + private)	707	Number of Beds (university + private)	707
Student:Bed ratio (city wide)	2.1	Student:Bed ratio (city wide)	1.0

Source: HESA 2014/15, University and private provider websites

Cushman & Wakefield's nationally observed average student:bed ratio is 2.1:1, and as can be seen from the table the current ratio in Wrexham is 2.1:1 which is in line with the national average. The SBR is relatively sensitive to changes in the supply situation due to the limited size of the demand pool.

There are as many first year students that likely demand a room as there are bed spaces in PBSA leading to a slightly lower student to bed ratio than observed on a national level. First year students at Glyndwr University's main campus make up the majority of the demand pool. Considering their decline in numbers over recent years, an oversupply situation could arise should additional bed spaces be provided.

Because of their small number, the approved bed spaces in the planning pipeline would not materially affect the student to bed ratio.

# Snowdon Hall, Wrexham

## 2016/17 Rents

### Inputs - Revenue

Bed Spaces	156	
Av. Tenancy Length (weeks)	43.10	
Av. Rent per week	£ 66.85	
Gross Student Rent	£ 446,787	
Running Void & Incentives	£ 22,339	5.00% of Gross Rent
Additional Income	£ 41,044	
Total Annual Rent (£)	£ 465,492	

### Inputs - Operating Costs

Total Operating Costs (£)	£ 283,781	63.52% of Gross Rent (incl. Derwent Management Fee)
Cost per bed space	£ 1,819	

**Net Rent** £ 181,711

### MV

Yield	7.50%
YP	13.333
Gross MV	£2,422,809
Refurbishment	£ -
Immediate Capex	£ -
Adj. Gross MV	£ 2,422,809

Purchasers Costs	£65,991	2.80%
Market Value (£)	£ 2,356,818	

**Say** £ 2,355,000

£ 15,096.15 per bed space 19.21% Gross Yield

7.50% Net Initial Yield 7.50% Reversionary Yield

### IRR Cashflow

Rent increases pa	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	1	2	3	4	5	6	7	8	9	10	
Income	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Rent	465,492	479,456	493,840	508,655	523,915	539,632	555,821	572,496	589,671	607,361	625,582
	465,492	479,456	493,840	508,655	523,915	539,632	555,821	572,496	589,671	607,361	625,582
Overheads		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Costs	283,781	290,876	298,147	305,601	313,241	321,072	329,099	337,326	345,760	354,404	363,264
Derwent Management Costs		0	0	0	0	0	0	0	0	0	0
	283,781	290,876	298,147	305,601	313,241	321,072	329,099	337,326	345,760	354,404	363,264
EBITDA	181,711	188,581	195,693	203,054	210,674	218,560	226,722	235,170	243,911	252,957	262,318
Margin	39.0%	39.3%	39.6%	39.9%	40.2%	40.5%	40.8%	41.1%	41.4%	41.6%	41.9%
	1	2	3	4	5	6	7	8	9	10	
Capex	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Refurbishment		0									0
Immediate Capex		0									
	0	0	0	0	0	0	0	0	0	0	0
Cashflow		1	2	3	4	5	6	7	8	9	10
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-2,422,809										
EBITDA		181,711	188,581	195,693	203,054	210,674	218,560	226,722	235,170	243,911	252,957
Capex		0	0	0	0	0	0	0	0	0	0
Exit Price											3,073,433
	-2,422,809	181,711	188,581	195,693	203,054	210,674	218,560	226,722	235,170	243,911	3,326,390
Running Multiple on EBITDA		13.33	12.85	12.38	11.93	11.50	11.09	10.69	10.30	9.93	9.58
Running Yield on initial outlay		8%	8%	8%	8%	9%	9%	9%	10%	10%	137%
Cumulative Cost	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809	2,422,809
Running Yield on Cumulative Cost		7.5%	7.8%	8.1%	8.4%	8.7%	9.0%	9.4%	9.7%	10.1%	10.4%
Entry Value											
EBITDA Multiple											
2016/17 EBITDA	181,711										
Gross Value	2,422,809	7.50%									
Less Purchasers Costs	2,8000%										
Net Value	2,354,970										
Exit Value											
EBITDA Multiple	12.50	8.00%									
2026/27 EBITDA	252,957										
Gross Value	3,161,968										
Less Purchasers Costs	2,8000%										
Net Value	3,073,433										
Ungeared IRR	10.30%										

### Gearred Cashflow

	1	2	3	4	5	6	7	8	9	10	
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Entry Price	-1,009,827										
EBITDA		181,711	188,581	195,693	203,054	210,674	218,560	226,722	235,170	243,911	252,957
Capex		0	0	0	0	0	0	0	0	0	0
Finance Cost		-84,779	-84,779	-84,779	-84,779	-84,779	-84,779	-84,779	-84,779	-84,779	-84,779
Exit Price		0	0	0	0	0	0	0	0	0	1,660,451
	-1,009,827	96,932	103,802	110,914	118,275	125,895	133,781	141,943	150,391	159,132	1,828,629
Gearred IRR	15.22%										

### Debt Assumptions

Purchase Price	2,354,970
Loan to Value	60%
Debt	1,412,982
Interest Rate	6%
Annual interest payment	84,779
Equity Injection plus purch costs	1,009,827

## Appendix 2

### The Properties

	Property	Owner	Address of Property	Title Number
1.	Newarke Street (the <b>Newarke Street Property</b> )	PBSA 1 S.à r.l.	28 Oxford Street, Leicester, LE1 5UX	LT321280, LT273804, LT462954
2.	Newcastle 1 (the <b>Newcastle 1 Property</b> )	PBSA 1 S.à r.l.	Newcastle 1, Newcastle, NE1 4HZ	TY322316
3.	Regents Court (the <b>Regents Court Property</b> )	PBSA 1 S.à r.l.	35 Rawson Street, Leicester, LE1 6TB	LT325948
4.	Sheffield 2 (the <b>Sheffield 2 Property</b> )	PBSA 1 S.à r.l.	Edward Street / Kenyon Street / Solly Street Sheffield, S3 7BU	SYK496864, SYK582968, SYK575388, SYK529734, SYK393737, SYK393702, SYK387005, SYK495453
5.	Sheffield 3 (the <b>Sheffield 3 Property</b> )	PBSA 1 S.à r.l.	80 Hoyle Street, Sheffield, S3 7LG	SYK578171, SYK538579, SYK275548, SYK208852, and SYK26122 (freehold) SYK536112, SYK305063, SYK421364, SYK158164, SYK305064 (leasehold) and part unregistered.
6.	Snowdon Hall (the <b>Snowdon Hall Property</b> )	PBSA 1 S.à r.l.	Vicarage Hill, Wrexham, Clwyd, LL13 7HN	WA842718
7.	Eastern Boulevard (the <b>Eastern Boulevard Property</b> )	PBSA 2 S.à r.l.	70 Eastern Boulevard, Leicester, LE2 7JD	LT27109, LT165742

	Property	Owner	Address Property	of	Title Number
8.	Nottingham (the <b>Nottingham Property</b> )	PBSA 2 S.à r.l.	Midland Way, Nottingham, NG7 3EH		NT348397, NT467671, NT21408, NT447918, NT437276, NT431980 NT433601, NT332092, NT351286, NT316383
9.	Trinity Square (the <b>Trinity Square Property</b> )	PBSA 2 S.à r.l.	North Church Street, Cornerhouse, Nottingham NG1 4BR		NT449281, NT449276
10.	Upperton Road (the <b>Upperton Road Property</b> )	PBSA 2 S.à r.l.	2 Upperton Road, Leicester, LE3 0BG		LT427781, LT459545, LT468057, LT468046
11.	Brookland Road (the <b>Brookland Road Property</b> )	PBSA 3 S.à r.l.	Brookland Road, Leicester, LE2 6BH		LT43710, LT322278, LT322276
12.	Queens Court (the <b>Queens Court Property</b> )	PBSA 3 S.à r.l.	85 Jarrom Street, Leicester, LE2 7DJ		LT381184
13.	The Summit (the <b>Summit Property</b> )	PBSA 3 S.à r.l.	100 Eastern Boulevard, Leicester, Leicestershire LE2 7BF		LT7521, LT28608, LT55575, LT396764

## **INDEX OF DEFINED TERMS**

*The following terms apply throughout this document unless the context otherwise requires:*

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