

Prospectus dated 20 April 2021

QAH FINANCE PLC

(incorporated with limited liability in England and Wales under company number 13136352)

LEI: 213800SUNY98NGMKR313

**£327,478,000.00 0.1000 per cent. Index-Linked Guaranteed Secured Bonds
due 2039**

unconditionally and irrevocably guaranteed, prior to the exercise by the Trust of the Instalment
Option as to scheduled payments of principal and interest
pursuant to financial guarantees issued by



ASSURED GUARANTY UK LIMITED

(incorporated with limited liability in England and Wales under company number 02510099)

and

ASSURED GUARANTY MUNICIPAL CORP.

(a stock insurance company organised under the laws of the State of New York, United States of America)

**Issue Price: 112.765 per cent. in respect of Index-Linked Guaranteed Secured
Bonds**

Manager



The £327,478,000.00 0.1000 per cent. Index-Linked Guaranteed Secured Bonds due 2039 (the “**Index-Linked Bonds**” or the “**Bonds**”) of QAH Finance Plc (the “**Issuer**”) will be issued pursuant to a bond trust deed to be dated 22 April 2021 (as amended, restated or supplemented from time to time, the “**Bond Trust Deed**”) between the Issuer, Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc) (“**AGUK**”), Assured Guaranty Municipal Corp. (“**AGM**” and together with AGUK, the “**Financial Guarantors**”) and HSBC Corporate Trustee Company (UK) Limited as bond trustee (the “**Bond Trustee**”, which expression includes the trustee or trustees for the time being under the Bond Trust Deed). The issue price will be 112.765 per cent. in respect of the Bonds (the “**Issue Price**”). The Bonds (excluding those held by or on behalf of the Issuer or any Affiliate of the Issuer or shareholder of the Issuer) will be unconditionally and irrevocably guaranteed (provided that the expression “unconditionally and irrevocably guaranteed” where ever used is subject to the proviso that, if the Trust exercises the Instalment Option (as described in the section entitled “Description of the Project Documents — The Project Agreement” below), the Loan Financial Guarantees and the Bond Financial Guarantees shall terminate unless the Financial Guarantors elect to not terminate) as to scheduled payments of principal and interest (each adjusted for indexation in accordance with the Terms and Conditions of the Bonds (the “**Index-Linked Bond Conditions**” or “**Conditions**”) in respect of the Bonds (excluding in each case any amounts due in respect of the Bonds (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason; (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof; (iii) attributable to any default interest; (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Bonds; or (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Bond Financial Guarantee) on or prior to a Scheduled Payment Date) in accordance with a financial guarantee to be issued by AGUK in respect of the Bonds (the “**AGUK Bond Financial Guarantee**”) and as set out in the section entitled “*Form of AGUK Bond Financial Guarantee*” below and a financial guarantee to be issued by AGM in respect of the Bonds (the “**AGM Bond Financial Guarantee**” and as set out in the section entitled “*Form of AGM Bond Financial Guarantee*” and, together with the AGUK Bond Financial Guarantee, the “**Bond Financial Guarantees**” and each a “**Bond Financial Guarantee**”).

Interest on the Bonds (adjusted for indexation) will be payable semi-annually (the “**Scheduled Interest**”) in arrear on 18 April and 18 October in each year (each a “**Scheduled Payment Date**”), commencing on 18 October 2021, with each Scheduled Payment Date payable in respect of the immediately preceding Interest Period (as defined below).

Unless previously redeemed or purchased and cancelled, the Bonds will mature on 18 October 2039 and will be subject to redemption in part from, and including, 18 October 2021, in accordance with the amortisation schedule set out in the section entitled “*Terms and Conditions of the Bonds — Payments and Exchange of Talons — Scheduled Payments*” below. The Bonds are also subject to redemption in whole but not in part, at the Early Redemption Price (as defined below), at the option of the Issuer (as provided in Condition 6(b) of the Conditions (see the section entitled “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the option of the Issuer*” below).

The Issuer is a special purpose company whose principal purposes are, *inter alia*, to issue the Bonds and to use the respective proceeds to purchase from the Secretary of State for Health and Social Care its interest in the Public Sector Loan Facilities Agreement (the “**PSLFA**”) in relation to the Project Agreement (as defined below) dated 15 December 2005 between The Hospital Company (QAH Portsmouth) Limited as borrower (the “**ProjectCo**”), ProjectHoldCo (as defined below) and the Secretary of State for Health and Social Care as public sector finance provider and public sector facility agent, to be amended and restated on 22 April 2021 (see the

section entitled “*Existing Financing of the Project – The PSLFA and Loan Financial Guarantees*” below). ProjectCo entered into a project agreement (the “**Project Agreement**”) with Portsmouth Hospitals University National Health Service Trust (the “**Trust**”) dated 15 December 2005, to be amended on 22 April 2021 (see the section entitled “*Description of the Project Documents — The Project Agreement*”) pursuant to which ProjectCo agreed to finance, design, construct and provide certain services in connection with the redevelopment of the Queen Alexandra Hospital, Cosham (the “**Site**”) (the “**Project**”). The Hospital Company (QAH Portsmouth) Holdings Limited (the “**ProjectHoldCo**”) is a special purpose company established for the principal purpose of acting as the holding company of ProjectCo. The obligations of the Issuer under the Bonds will be secured in favour of HSBC Corporate Trustee Company (UK) Limited as security trustee (the “**Security Trustee**”) as described in the section entitled “*Description of the Issuer Finance Documents — The Security Arrangements*” below.

The Bonds are expected to be rated upon issue A2 by Moody’s Investors Service Limited (“**Moody’s**” and the “**Rating Agency**”). Moody’s is established in the United Kingdom (the “**UK**”) and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK CRA Regulation**”). 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 Rating Agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The rating of the Bonds will be based primarily upon the “A2” (stable outlook) insurance financial strength rating (“**IFSR**”) of each of the Financial Guarantors assigned by Moody’s Investors Services, Inc. (“**Moody’s Inc.**”), which is not established in the UK, and which has been endorsed by Moody’s.

In addition, S&P Global Ratings (“**S&PGR**”) has assigned to each of the Financial Guarantors financial strength and financial enhancement ratings of “AA” (stable outlook), and Kroll Bond Rating Agency, Inc. (“**KBRA**”) has assigned to each of the Financial Guarantors an IFSR of “AA+” (stable outlook). Neither S&PGR nor KBRA are established in the UK. The credit ratings they assigned to the Financial Guarantors have been endorsed, respectively, by S&P Global Ratings UK Limited (“**S&PGRUK**”) and Kroll Bond Rating Agency UK Limited (“**KBRAUK**”), each of which is established in the UK and registered under the UK CRA Regulation. Neither S&PGRUK nor KBRAUK rate the Bonds.

The Bonds will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof. For so long as the Bonds are represented by a Global Bond (as defined below) and the relevant clearing system(s) so permit, the Bonds will be tradable in such denominations, subject always to a minimum denomination and trading amount of £100,000. There can be no assurance, however, that the relevant clearing system(s) will enforce such minimum trading amount. The Bonds will initially be in the form of a temporary global bond (the “**Temporary Global Bond**”), without coupons or talons attached, which will be issued in new global note (“**NGN**”) form as they are intended to be eligible collateral for Eurosystem monetary policy, which will be deposited on or around 22 April 2021 (the “**Issue Date**”) with a common safekeeper for Euroclear S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, S.A., Luxembourg (“**Clearstream, Luxembourg**”). The Temporary Global Bond will be exchangeable, in whole or in part, not earlier than 40 calendar days from (but not including) the Issue Date upon certification of non-U.S. beneficial ownership, for interests in a permanent global bond (the “**Permanent Global Bond**”, together with the Temporary Global Bond, the “**Global Bonds**” and each a “**Global Bond**”), without coupons or talons attached. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in whole, but not in part, for Bonds in definitive form (the “**Definitive Bonds**”) in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, with coupons for principal and interest and talons for further coupons attached, only in the limited circumstances described in the section “*Summary of Provisions relating to the Bonds while in Global Form*”

below. If Definitive Bonds are required to be issued, such Definitive Bonds (a) will only be issued to Bondholders (as defined below) holding Bonds having a nominal amount equal to or in excess of £100,000 and (b) will only be printed in denominations equal to or in excess of £100,000 and to the extent in excess of £100,000 in integral multiples of £1,000.

Application has been made to the Financial Conduct Authority (the “**FCA**”) under Part VI of the Financial Services and Markets Act 2000 (the “**FSMA**”) for the Bonds to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc for such Bonds to be admitted to trading on the London Stock Exchange plc’s Regulated Market (the “**Market**”). References in this Prospectus to the Bonds being “listed” (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK MiFIR**”).

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer, the Financial Guarantors or the quality of the Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds. The denomination of the Bonds shall be £100,000 and integral multiples of £1,000.

This Prospectus will be valid for twelve (12) months from 20 April 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For this purpose, “**valid**” means valid for making offers to the public or admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement the prospectus is only required within its period of validity between the time when the prospectus is approved and the closing of the offer period for the Bonds or the time when trading on a regulated market begins, whichever occurs later.

An investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described in the section entitled “Risk Factors” below.

IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation. The Issuer (the “**Responsible Person**”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated in this Prospectus by reference. See the section entitled “*Documents Incorporated by Reference*” below.

The Issuer has accurately reproduced the ProjectCo Information, the ProjectHoldCo Information, the Issuer HoldCo Information, the InfraRed Information, the Trust Information, the AGUK Information and the AGM Information (each as defined below) and as far as the Issuer is aware and is able to ascertain from information published by ProjectCo, ProjectHoldCo, QAH Finance Holdings Limited (the “**Issuer HoldCo**”), InfraRed (as defined below), the Trust, AGUK and AGM no facts have been omitted which would render the reproduced information inaccurate or misleading.

The “**ProjectCo Information**” means the information in this Prospectus (i) under the heading “ProjectCo” in the section entitled “*Description of the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo*” and in paragraph 9 of the section entitled “*General Information*”.

The “**ProjectHoldCo Information**” means the information in this Prospectus under the heading “ProjectHoldCo” in the section entitled “*Description of the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo*”.

The “**InfraRed Information**” means the information in this Prospectus in the section entitled “*Description of the Shareholder*”.

The “**Trust Information**” means the section entitled “*The Portsmouth Hospitals University National Healthcare Service Trust*”.

Issuer HoldCo accepts responsibility for the information in this Prospectus under the heading “*Issuer HoldCo*” in the section entitled “*Description of the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo*” and paragraph 8 of the section entitled “*General Information*” (the “**Issuer HoldCo Information**”). To the best of the knowledge of Issuer HoldCo, such information is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information.

The information in this Prospectus relating to the Office for National Statistics and the United Kingdom Retail Price Index has been accurately reproduced from information published by that office. So far as the Issuer is aware and is able to ascertain from information published by the Office for National Statistics, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AGUK accepts responsibility for the information contained in this Prospectus (i) in the sections entitled “*Risk Factors — Risk relating to the Financial Guarantors*”, “*Description of the Financial Guarantors — Assured Guaranty UK Limited, AGUK and AGM Ratings, Market impacts on AGUK and AGM, Capital and Liquidity Requirements of AGUK and AGM, Business of AGUK and AGM and Impact of GAAP and Applicable Law on AGUK and AGM*” and “*Form of AGUK Bond Financial Guarantee*”, (ii) in paragraph 5 of the section entitled “*General Information*” and (iii) in paragraphs 1 and 2 of the section entitled “*Documents Incorporated by Reference*” (together, the “**AGUK Information**”). To the best of the knowledge of AGUK, the AGUK Information is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information. AGUK accepts no responsibility for any other information contained in this Prospectus. Save for the AGUK Information, AGUK has not separately verified the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted

by AGUK as to the accuracy or completeness of any information contained in this Prospectus (other than the AGUK Information) or any other information supplied in connection with the Bonds or their distribution. Each person receiving this Prospectus acknowledges that such person has not relied on AGUK nor on any person affiliated with it in connection with its investigation of the accuracy of any information contained in this Prospectus (other than the AGUK Information) or in making its investment decision.

AGM accepts responsibility for the information contained in this Prospectus (i) in the sections entitled “*Risk Factors — Risks Relating to the Financial Guarantors*”, “*Description of the Financial Guarantors — Assured Guaranty Municipal Corp, AGUK and AGM Ratings, Market impacts on AGUK and AGM, Capital and Liquidity Requirements of AGUK and AGM, Business of AGUK and AGM and Impact of GAAP and Applicable Law on AGUK and AGM.*” and “*Form of AGM Bond Financial Guarantee*”, (ii) in paragraph 6 of the section entitled “*General Information*” and (iii) in paragraph 3 of the section entitled “*Documents Incorporated by Reference*” (together, the “**AGM Information**”). To the best of the knowledge of AGM, the AGM Information is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information. AGM accepts no responsibility for any other information contained in this Prospectus. Save for the AGM Information, AGM has not separately verified the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by AGM as to the accuracy or completeness of any information contained in this Prospectus (other than the AGM Information) or any other information supplied in connection with the Bonds or their distribution. Each person receiving this Prospectus acknowledges that such person has not relied on AGM nor on any person affiliated with it in connection with its investigation of the accuracy of any information contained in this Prospectus (other than the AGM Information) or in making its investment decision.

The Issuer and ProjectCo have each confirmed to HSBC Bank plc (the “**Manager**”) that this Prospectus contains all information regarding the Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo, the Project, the Issuer Finance Documents (as defined below), the Loan Finance Documents (as defined below), the Project Documents, AGUK and AGM and the Bonds which is material in the context of the issue of the Bonds; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions or intentions expressed in this Prospectus are honestly held and are based on reasonable assumptions, this Prospectus does not omit to state any fact which would make any statement misleading in any material respect; and all reasonable enquiries have been made to ascertain and to verify the foregoing.

The Bond Financial Guarantees will be issued on the day that the Bonds are issued.

The Bond Financial Guarantees have not been and will not be executed as at the date of this Prospectus. The Issuer will not apply for admission of the Bonds to the Official List and to trading on the Regulated Market of the London Stock Exchange unless the Financial Guarantors have executed the Bond Financial Guarantees, so that the Bond Financial Guarantees are in effect at admission of the Bonds to the Official List and to trading on the Regulated Market of the London Stock Exchange.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, the Trust, the Financial Guarantors, or the issue or sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Financial Guarantors, the Manager, the Bond Trustee, the Principal Paying Agent or the Security Trustee. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances, create any implication that there has been no adverse change, nor any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Financial Guarantors since the date hereof. Unless otherwise indicated in this Prospectus, all information in this Prospectus is given as of the date of this Prospectus.

The Manager, the Principal Paying Agent, the Calculation Agent, the Bond Trustee and the Security Trustee have not separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager, the Principal Paying Agent, the Calculation Agent, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Bonds or their distribution. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the Financial Guarantors. Each person receiving this Prospectus acknowledges that such person has not relied on the Manager, the Principal Paying Agent, the Calculation Agent, the Bond Trustee or the Security Trustee nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

None of the Issuer, the Manager, the Financial Guarantors, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Calculation Agent, or any other party named in this Prospectus accepts responsibility to investors for the regulatory treatment of their investment in the Bonds in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Bonds is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the section entitled "*Risk Factors — Changes to the risk weighted asset framework*" of this Prospectus.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

OFFER RESTRICTIONS

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by any person to subscribe or purchase any Bonds. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Financial Guarantors or the Manager that any recipient of this Prospectus or any other financial statements should purchase the Bonds. Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and the Financial Guarantors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Bonds should consult independent professional advisers. The Manager does not undertake to review the financial conditions or affairs of the Issuer or the Financial Guarantors during the life of the arrangements contemplated by this Prospectus, nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Manager.

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

The distribution of this Prospectus and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. The Issuer does not represent that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, and does not assume any responsibility for facilitating such sale. Persons into whose possession this Prospectus comes are required by the Issuer, the Financial Guarantors and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds and on the distribution of this Prospectus, see the section entitled “*Subscription and Sale*” below. In particular, the Bonds, and the Bond Financial Guarantees have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and the Bonds will be in bearer form and so are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds and the Bond Financial Guarantees may not be offered, sold or delivered 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 and in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). The Bonds are being offered outside the United States in accordance with Regulation S under the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and 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 Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (“**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

For a description of further restrictions on offers and sales of Bonds and distribution of this Prospectus, see the section entitled “*Subscription and Sale*” below.

All references in this Prospectus to “pounds”, “sterling”, “Sterling” or “£” are to the lawful currency of the United Kingdom, all references to “\$”, “U.S.\$”, “U.S. dollars” and “dollars” are to the lawful currency of the United States of America (the “U.S.”), and all references to “€”, “EUR” or “Euro” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

STABILISATION

In connection with the issue of the Bonds, HSBC Bank plc (the “**Stabilising Manager**”) (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Bonds 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 Bonds 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 of the Bonds and cease 60 days after the date of the allotment of the Bonds. Any stabilising action or over-allotment shall be conducted in accordance with all applicable laws, regulations and rules.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the intentions of the Issuer and/or the Financial Guarantors, beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Issuer and/or the Financial Guarantors.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Issuer, the Project, ProjectCo, or the Financial Guarantors, and the development of the markets and the industries in which members of the Issuer, the Project, ProjectCo, or the Financial Guarantors operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Issuer, the Project, ProjectCo, or the Financial Guarantors’ results of operations and financial position, and the development of the markets and the industries in which the Issuer, the Project, ProjectCo, or the Financial Guarantors operate, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements.

See the section entitled “*Risk Factors*” below.

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OVERVIEW OF THE BOND ISSUE

Terms defined in the Conditions (as defined below) have the same meaning when used in this section.

Introduction

The Issuer is a special purpose company whose principal purposes are, *inter alia*, to issue the Bonds (as defined below) and to use the respective proceeds to purchase from the Secretary of State for Health and Social Care its interest in the PSLFA in relation to the Project Agreement dated 15 December 2005 between ProjectCo, ProjectHoldCo and the Secretary of State for Health and Social Care as public sector finance provider and public sector facility agent, to be amended and restated on 22 April 2021 (see the section entitled “*Existing Financing of the Project - The PSLFA and Loan Financial Guarantees*” below). ProjectCo entered into the Project Agreement with the Trust dated 15 December 2005, to be amended and restated on 22 April 2021 pursuant to which ProjectCo agreed to carry out the Project, to finance, design, construct and provide certain services in connection with the redevelopment of the Site. ProjectHoldCo is a special purpose company established for the principal purpose of acting as the holding company of ProjectCo.

Bond Financial Guarantees

The Bonds (excluding those Bonds held by or on behalf of the Issuer or any Affiliate of the Issuer or shareholder of the Issuer) will have the benefit of the Bond Financial Guarantees under which (i) AGUK has unconditionally and irrevocably agreed to pay to the Bond Trustee 15 per cent. of all sums due and payable but unpaid by the Issuer in respect of scheduled principal and interest on the Bonds and (ii) AGM has unconditionally and irrevocably agreed to pay to the Bond Trustee (x) the remaining 85 per cent. of the aforementioned sums, and (y) any sums due and payable but unpaid by AGUK, all as more particularly described in the Bond Financial Guarantees (in each case adjusted for indexation).

See the section entitled “*Terms and Conditions of the Bonds*” below.

The coverage provided by the Bond Financial Guarantees is the payment of scheduled payments of principal and interest only and excludes any amounts due in respect of the Bonds:

- (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason;
- (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United

- Kingdom), or any political subdivision or governmental or taxing authority therein or thereof;
- (iii) attributable to any default interest;
 - (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Bonds; or
 - (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Bond Financial Guarantee) on or prior to a Scheduled Payment Date.

See the sections entitled “*Form of AGUK Bond Financial Guarantee*” and “*Form of AGM Bond Financial Guarantee*” below.

The Bond Financial Guarantee to be provided by AGM is hereafter referred to as the AGM Bond Financial Guarantee, and the Bond Financial Guarantee to be provided by AGUK is hereafter referred to as the AGUK Bond Financial Guarantee.

Loan Financial Guarantees

At financial close, the existing AGUK financial guarantee in respect of the Loan will be terminated and the Financial Guarantors will issue new financial guarantees in respect of the Loan (each a “**Loan Financial Guarantee**” and together the “**Loan Financial Guarantees**”). The Issuer will be the beneficiary of the Loan Financial Guarantees.

The Loan Financial Guarantees will unconditionally and irrevocably guarantee: the payment of scheduled principal and interest in respect of the Loan.

The coverage provided by the Loan Financial Guarantees is the payment of scheduled payments of principal and interest only and excludes any amounts due in respect of the Loan:

- (i) attributable to any increase in interest margin, penalty or other sum payable by ProjectCo for whatever reason;
- (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof;
- (iii) attributable to any default interest;
- (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Loan(s); or

(v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Loan Financial Guarantee) on or prior to a Scheduled Payment Date.

The Loan Financial Guarantee to be provided by AGM is hereafter referred to as the “**AGM Loan Financial Guarantee**” and the Loan Financial Guarantee to be provided by AGUK is hereafter referred to as the “**AGUK Loan Financial Guarantee**”.

ProjectCo Reimbursement and Indemnity Deed

ProjectCo will be obliged to reimburse the Loan Financial Guarantors pursuant to a reimbursement and indemnity deed (the “**ProjectCo Reimbursement and Indemnity Deed**”) as a condition precedent to the amendments being made in respect of the PSLFA, in respect of payments made under the Loan Financial Guarantees pursuant to the ProjectCo Reimbursement and Indemnity Deed. In addition, the Loan Financial Guarantors will be subrogated to the rights of the Issuer, in respect of any payments made by them under the relevant Loan Financial Guarantee.

Bond Financial Guarantees and Loan Financial Guarantees

If the Trust exercises the Instalment Option (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below), the Loan Financial Guarantees and the Bond Financial Guarantees shall terminate unless the Financial Guarantors elect to not terminate. If the Loan Financial Guarantees and the Bond Financial Guarantees terminate, the Bondholders will not have the benefit of the Bond Financial Guarantees (and indirectly, the Loan Financial Guarantees).

See the section titled “*Overview of the Bond Issue – Instalment Option*” below.

Issuer

QAH Finance Plc.

Legal Entity Identifier of the Issuer

213800SUNY98NGMKR313

Bond Issue

£327,478,000.00 0.1000 per cent. Index-Linked Guaranteed Secured Bonds due 2039 (the “**Bonds**”).

Issue Price

112.765 per cent.

Issue Date

22 April 2021.

Interest Periods

An “**Interest Period**” is each period beginning on (and including) the Issue Date or any Interest Period Date and ending on (but excluding) the next Interest Period Date, subject to the long Final Interest Period.

“**Interest Period Date**” means (i) firstly, 30 September 2021; and (ii) thereafter, 31 March and 30 September each year subject to the Final Interest Period up to (but excluding) 18 October 2039.

“**Final Interest Period**” means the final long Interest Period beginning on (and including) 31 March 2039 and ending on (but excluding) 18 October 2039.

Interest Payment Dates

Interest in respect of the Bonds will, be payable semi-annually in arrear on 18 April and 18 October in each year in respect of the immediately preceding Interest Period, commencing on 18 October 2021 (the “**First Interest Payment Date**”) and ending on (and including) the Final Maturity Date in respect of the Final Interest Period (unless the Bonds are previously redeemed or purchased and cancelled).

Final Maturity Date

18 October 2039.

Manager

HSBC Bank plc.

Financial Guarantors

Assured Guaranty UK Limited and Assured Guaranty Municipal Corp.

**Legal Entity Identifier of the AGUK
Financial Guarantor**

549300M46A841BTWC767

**Legal Entity Identifier of the AGM
Financial Guarantor**

549300EW17XUAI9WBQ69

Website of the Financial Guarantors

<http://assuredguaranty.com/>

Interest and Redemption

Payments of interest and principal will be due on the Bonds as set out in the section entitled “*Terms and Conditions of the Bonds — Payments and Exchange of Talons*” below.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their outstanding principal amount on the Final Maturity Date.

Indexation

All payments of principal and interest in relation thereto will be indexed to retail price inflation (for all items). The indexation will be applied using the Index Ratio (as defined in Condition 7 (*Indexation*) of the Conditions).

Index Ratio

The Index Ratio will be calculated initially using the Base Index Figure (as defined in Condition 7 (*Indexation*) of the Conditions) of 294.6 (being the UK All Items Retail Price Index (“**RPI**”) relating to September 2021, that is the Index Figure published in February 2021 and relating to January 2021 published in by the Office for National Statistics in the Monthly Digest of Statistics). The Index Ratio calculations are subject to change on or around February 2030 due to the planned reform of RPI to bring it in line with CPIH (as defined below). See the section entitled “*Risk Factors - Proposed Reform to RPI in 2030 in respect of the Bonds*” below.

**Issuer Reimbursement and Indemnity
Deed**

The Issuer will be obliged to reimburse the Financial Guarantors, in respect of payments made under the relevant Bond Financial Guarantee pursuant to the Issuer Reimbursement and Indemnity Deed. In addition, the Financial Guarantors will be subrogated

to the rights of the Bondholders and the Bond Trustee, in respect of any payments made by them under the relevant Bond Financial Guarantee.

Status of Bonds

The Bonds will constitute direct and secured obligations of the Issuer which will rank *pari passu* and rateably without any preference or priority among themselves and will rank in priority to all unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The ranking of payments of principal and interest pursuant to the Bonds in relation to payments to other Secured Creditors is set out in the Issuer Security Trust and Intercreditor Deed. See section entitled “*Description of the Issuer Finance Documents*” – “*The Issuer Security Trust and Intercreditor Deed*” below.

Status of Bond Financial Guarantees

The AGUK Bond Financial Guarantee will constitute a direct and unsecured obligation of AGUK which will rank at least *pari passu* with all other unsecured obligations of AGUK save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The AGM Bond Financial Guarantee will constitute a direct and unsecured obligation of AGM which will rank at least *pari passu* with all other unsecured obligations of AGM save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Financial Guarantor Downgrade Event

A “**Financial Guarantor Downgrade Event**” means at any time while the Bonds remain outstanding, both:

- (i) AGM’s insurer financial strength rating by Moody’s ceases to be at least “Baa3”; and
- (ii) AGM’s insurer financial strength rating by S&PGR ceases to be at least “BBB-”,

provided that during such time, if any, as AGM’s insurer financial strength is not rated by Moody’s and not rated by S&PGR, then a “**Financial Guarantor Downgrade Event**” means at any time while the Bonds remain outstanding, that AGM’s insurer financial strength rating is not rated at least “BBB-” or the equivalent by at least one other credit rating agency which is registered with the United States Securities and Exchange Commission as a nationally recognised statistical rating organisation (such rating agency during such time, an “**Alternative Rating Agency**”).

If (i) a Financial Guarantor Downgrade Event has occurred and is continuing; and (ii) a Guarantee Decision (as defined in the Issuer Security Trust and Intercreditor Deed) has been passed, the Bond Trustee (acting on the instructions of the Bondholders) shall, subject to being prefunded and/or indemnified and/or

secured to its satisfaction by the Bondholders issue a notice (the “**Financial Guarantor Removal Notice**”) to the Financial Guarantors and the Loan Financial Guarantors specifying that, unless the Financial Guarantor Downgrade Event has been remedied or waived by the date that is three calendar months after the date of delivery of the Financial Guarantor Removal Notice (the “**Financial Guarantor Removal Date**” being, to the extent that the Financial Guarantor Downgrade Event has not been remedied or waived, the date that is three calendar months after the date of delivery of the Financial Guarantor Removal Notice), each of the Bond Financial Guarantees and the Loan Financial Guarantees shall be unconditionally and irrevocably terminated and cancelled in whole (and not in part) effective on and from the Financial Guarantor Removal Date and no further claim may be made under the Bond Financial Guarantees or the Loan Financial Guarantees on and from the Financial Guarantor Removal Date and any such further claim shall be null and void and of no force or effect and the Term of the Bond Financial Guarantees and the Term of the Loan Financial Guarantees in respect of each Bond Financial Guarantee and each Loan Financial Guarantee shall be deemed to have expired.

Where a Financial Guarantor Downgrade Event has occurred, the Financial Guarantors may remedy such Financial Guarantor Downgrade Event (and the related Financial Guarantor Removal Notice shall be revoked) by transferring the AGM Bond Financial Guarantee to an affiliate of AGM that is rated at least “Baa3” by Moody’s or “BBB-” by S&PGR (or, if prior to such remedy, AGM was relying on the rating of an Alternative Rating Agency, by transferring the AGM Bond Financial Guarantee to an affiliate of AGM that is rated at least “Baa3” by Moody’s or “BBB-” by S&PGR or “BBB-“ or the equivalent by such Alternative Rating Agency) at any time prior to the Financial Guarantor Removal Date in which case the Financial Guarantor Downgrade Event shall be deemed to have been remedied. The parties to the Issuer Security Trust and Intercreditor Deed (as defined below) shall agree to such amendments to the Issuer Security Trust and Intercreditor Deed and the Issuer Finance Documents as are necessary to reflect, give effect to and evidence such transfer of the AGM Bond Financial Guarantee to an affiliate of AGM.

The “**Issuer Security Trust and Intercreditor Deed**” means the security trust and intercreditor deed dated on or about the Issue Date between the Issuer, Issuer HoldCo, the Financial Guarantors, the Bond Trustee, the Principal Paying Agent and the Security Trustee.

The Issuer will immediately notify the Bond Trustee, who will in turn notify the Bondholders upon: (i) any remedy or waiver of

a Financial Guarantor Downgrade Event (including by way of transfer of the AGM Bond Financial Guarantee); or (ii) termination of the Bond Financial Guarantees and the Loan Financial Guarantees pursuant to Condition 2(b) (*Bond Financial Guarantees*) of the Bonds.

If a continuing Financial Guarantor Downgrade Event has not been remedied or waived prior to the Financial Guarantor Removal Date, on the Financial Guarantor Removal Date, the Issuer shall pay to the Financial Guarantors and the Loan Financial Guarantors (as appropriate) an amount equal to:

- (i) all amounts paid by the Financial Guarantors under the Bond Financial Guarantees;
- (ii) all amounts paid by the Loan Financial Guarantors under the Loan Financial Guarantees;
- (iii) any and all other amounts due and payable in accordance with the Issuer Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses;
- (iv) any and all other amounts due and payable in accordance with the ProjectCo Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses;
- (v) any and all Bond Financial Guarantee Fees due and payable in accordance with the Bond Financial Guarantee Fee Letters; and
- (vi) any and all Loan Financial Guarantee Fees due and payable in accordance with each Loan Financial Guarantee Fee Letter; and
- (vii) any other amounts of any nature whatsoever due and payable to the Financial Guarantors and/or the Loan Financial Guarantors pursuant to the Issuer Finance Documents and the Loan Finance Documents (as defined below) (such amounts collectively the “**Financial Guarantor Removal Payments**”), as set forth in a notice in writing delivered to the Obligor and the Security Trustee by the Financial Guarantors.

If and to the extent that the Financial Guarantor Removal Payments have not been finally and irrevocably paid in full on the Financial Guarantor Removal Date by the Issuer, the Financial Guarantors and/or the Loan Financial Guarantors (as appropriate) shall be entitled to charge and receive from the Issuer interest on all Financial Guarantor Removal Payments (on and from the Financial Guarantor Removal Date until the date

on which the Financial Guarantors (acting reasonably) have notified the Obligors, the Security Trustee and the Bond Trustee in writing that the Financial Guarantor Removal Payments have been finally and irrevocably paid in full (the date of such notice being the “**Financial Guarantor Removal Effective Date**”) at the rate and in the amount specified in the Issuer Reimbursement and Indemnity Deed and/or the ProjectCo Reimbursement and Indemnity Deed; as applicable with respect to interest charged and payable on unpaid amounts. The Financial Guarantors’ and the Loan Financial Guarantors’ rights to be paid the Financial Guarantor Removal Payments will follow the order of priority of payments set out in paragraph 3.2(a) (*Pre-Enforcement Priority of Payments*) of schedule 4 (*Cash Management Services*) to the Issuer Accounts Agreement (if prior to any Enforcement) or as set out in clause 21 (*Application*) of the Issuer Security Trust and Intercreditor Deed (if after Enforcement), be paid in priority to the payment of certain amounts due to the Bondholders (see the section entitled “*Description of Issuer Finance Documents — The Issuer Security Trust and Intercreditor Deed*” below) and shall survive the termination of the Bond Financial Guarantees and the Loan Financial Guarantees and continue in full force and effect on and after the Financial Guarantor Removal Date until the Financial Guarantor Removal Effective Date shall have occurred.

For the purposes of paragraph (b)(i) of the definition of Controlling Creditor, no termination shall occur until the Financial Guarantor Removal Effective Date (and not on the occurrence of the Financial Guarantor Removal Date).

Instalment Option

If the Trust exercises the Instalment Option (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below), the Loan Financial Guarantees and the Bond Financial Guarantees shall terminate as described below unless the Financial Guarantors elect to not terminate within 10 Business Days of the Trust giving the Financial Guarantors initial notice of their intention to exercise the Instalment Option. If such an election is not made, the Bond Financial Guarantees and the Loan Financial Guarantees will terminate 10 Business Days following Trust notice (or, if earlier, upon notice of termination) at the same time as the Instalment Option is exercised provided that the Financial Guarantors have been reimbursed for all historic amounts due to them by that date. The Loan Financial Guarantors will be entitled to receive payment of a make-whole amount in respect of the Loan Financial Guarantees by the date falling 10 Business Days following termination of the Bond Financial Guarantees and Loan Financial Guarantees (and will remain the Controlling Creditor until they have been paid such amounts). In such

circumstance, following termination of the Bond Financial Guarantees and the Loan Financial Guarantees the Bondholders would not have the benefit of either the Financial Guarantees or the Loan Financial Guarantees, and the Bondholders would then be relying only on the Trust's obligation to pay Senior Debt Ongoing Amounts to the Issuer following the exercise of the Instalment Option (which it is obliged to do irrespective of the termination of the Bond Financial Guarantees and the Loan Financial Guarantees). The Senior Debt Ongoing Amounts are intended to cover all amounts required by ProjectCo to make all scheduled payments to the Issuer under the PSLFA in full. Bondholders should assume that, if the Trust exercises the Instalment Option, the Financial Guarantors will elect to terminate both the Bond Financial Guarantees and the Loan Financial Guarantees at that time.

Aggregate Rating Downgrade

If the rating of the Bonds by Moody's is less than "Baa3" or is withdrawn then the Financial Guarantors may request the Issuer obtains, and the Issuer shall use reasonable endeavours to obtain within two months of such date, (A) an underlying rating for the Bonds from S&PGR at the cost of AGM and (B) that the underlying rating of the Bonds by Moody's is withdrawn.

Listing and admission to trading

Application has been made for the Bonds to be admitted to the Official List and to trading on the Regulated Market of the London Stock Exchange.

Ratings

The Bonds are expected to be rated upon issue "A2" by Moody's. Moody's is established in the UK and registered under the UK CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to reduction, revision, suspension or withdrawal at any time by the Rating Agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Settlement/Clearance

Euroclear and Clearstream, Luxembourg and any additional or substitute clearing system from time to time (nominated in accordance with the Bond Trust Deed).

Security Trustee and Bond Trustee

HSBC Corporate Trustee Company (UK) Limited.

Principal Paying Agent

HSBC Bank plc.

Account Bank

HSBC Bank plc.

Calculation Agent

HSBC Bank plc.

Form and Denomination

The Bonds will be in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Bonds will initially be represented by the Temporary Global Bond, without coupons or talons attached, deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be

exchangeable, in whole or in part, not earlier than 40 calendar days from (but not including) the Issue Date and upon certification of non-U.S. beneficial ownership, for interests in the Permanent Global Bond, without coupons or talons attached, which will also be deposited with such common safekeeper for Euroclear and Clearstream, Luxembourg. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, with coupons for principal and interest and talons for further coupons attached in the limited circumstances described in the section entitled “*Summary of Provisions relating to the Bonds while in Global Form*” below. If Definitive Bonds are required to be issued, such Definitive Bonds (a) will only be issued to Bondholders (as defined below) holding Bonds having a nominal amount equal to or in excess of £100,000 and (b) will only be printed in denominations equal to or in excess of £100,000. No definitive Bonds will be issued with a denomination above £100,000.

Issuer HoldCo Guarantee

Issuer HoldCo has guaranteed the Secured Obligations of the Issuer, by way of the Issuer HoldCo Debenture.

See the sections entitled “*Overview of the Bond Issue – Security*” below and “*Description of the Issuer Finance Documents — Issuer HoldCo Debenture*”.

Security

The obligations of the Issuer under the Bonds are secured by:

- (i) a fixed and floating charge debenture dated on or before the Issue Date granted by the Issuer in favour of the Security Trustee, as amended and restated from time to time in accordance with the Issuer Finance Documents (the “**Issuer Debenture**”); and
- (ii) a fixed and floating charge debenture dated on or before the Issue Date granted by Issuer HoldCo in favour of the Security Trustee, as amended and restated from time to time in accordance with the Issuer Finance Documents (the “**Issuer HoldCo Debenture**”).

See the sections entitled “*Description of the Issuer Finance Documents — Issuer Debenture*” and “*Description of the Issuer Finance Documents — Issuer HoldCo Debenture*” below.

Any exercise by the Security Trustee of its rights in respect of such security is subject to certain restrictions set out in the Issuer Security Trust and Intercreditor Deed.

Covenants etc.

The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, *inter alia*, the Bonds are set out in the Bond Trust Deed. See the

section entitled “*Description of the Issuer Finance Documents — Rights and responsibilities of the Bond Trustee*” below.

Bondholder Report

The Issuer has covenanted in the Bond Trust Deed that it will publish either through an electronic website or through the Principal Paying Agent via the bond clearing systems, a Bondholder Report substantially in the form set out in Schedule 6 (*Bondholder Report*) to the Bond Trust Deed (the “**Bondholder Report**”) following the Issue Date, (x) if and for so long as the Financial Guarantors are the Controlling Creditor, on or before the date which is PD-20 for any Scheduled Payment Date and (y) if and for so long as the Majority Creditor is the Controlling Creditor semi-annually on or before the date which is PD-20 for any Scheduled Payment Date, containing, amongst other things, the following information to the extent applicable:

- (i) Key performance indicators;
- (ii) Summary financial results;
- (iii) Changes to service payments;
- (iv) Penalties and deductions;
- (v) Costs incurred to date on maintenance/lifecycle and relevant changes to maintenance schedule;
- (vi) Material changes to service providers;
- (vii) Material new contracts;
- (viii) Changes to value testing mechanism;
- (ix) Material insurance claims;
- (x) Variations effected;
- (xi) Key developments (e.g regulatory or other);
- (xii) Any material actions e.g replacement of transaction counterparties;
- (xiii) Any other material topics as relevant to the Project;
- (xiv) Regulatory News Service (RNS) or other market announcements made during the reporting period.

The electronic website where the Bondholder Report will be made available is <https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions/>.

Issuer Call Option:

The Issuer may, at its option, redeem all, but not some only, of the Bonds at any time, with the prior written approval of the Financial Guarantors if they are the Controlling Creditor, having given not less than 30 nor more than 60 days’ notice, at the “**Early Redemption Price**”. See the section entitled “*Terms and Conditions of the Bonds — Redemption and Purchase*” below.

Events of Default:

The Bonds will be subject to certain events of default including (among others) a Loan Event of Default, non-payment of principal or interest for a period of 7 days for principal and 14 days for interest, failure to perform or observe any of the other obligations in respect of the Bonds, and certain events relating to

bankruptcy and insolvency of the Issuer. See the section entitled “*Terms and Conditions of the Bonds – Events of Default*” below.

Negative Pledge:

The Issuer Security Trust and Intercreditor Deed contains a negative pledge granted by the Issuer and Issuer HoldCo, restricting the creation of any encumbrance other than a Permitted Encumbrance (as defined in the Issuer Security Trust and Intercreditor Deed).

Taxes

All payments of principal and interest in respect of the Bonds by the Issuer will be made free and clear of, and without withholding or deduction for, taxes, unless required by law (including certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”). If such taxes are imposed, the Issuer will pay principal and interest after such withholding or deduction has been made. The Issuer will not be obliged to make any additional payments to Bondholders or Couponholders in respect of any such withholding or deduction (including any withholding or deduction required by FATCA). Similarly, if any withholding or deduction for taxes is required in relation to any payments by AGUK or AGM under the relevant Bond Financial Guarantee, such payments will be made by AGUK or AGM, as the case may be, subject to such withholding or deduction and neither AGUK or AGM, as the case may be, will be obliged to make any additional payments to Bondholders or Couponholders in respect of such withholding or deduction.

Use and Estimated Net Amount of Proceeds

The gross proceeds of the issue of the Bonds expected to amount to approximately £369,281,000.00 will be used to (i) purchase from the Secretary of State for Health and Social Care its interest as lender under the PSLFA; (ii) pay commission and expenses incurred in relation to the issue of the Bonds, including the Manager’s management commission and certain of the issue and other related costs; and (iii) credit £500,000 to the Issuer Expenses Reserve Account. See the section entitled “*Description of the Issuer Finance Documents — Issuer Expenses Reserve Account*” below. The total estimated expenses to be paid by the Issuer in relation to the admission to trading are approximately £14,000,000.00.

Selling Restrictions

There are restrictions on offers of the Bonds to EEA and UK retail investors and into, or to persons resident in, the U.S., the UK and elsewhere. See the section entitled “*Subscription and Sale*” below.

Category 2 selling restrictions will apply to the Bonds for the purposes of Regulation S under the Securities Act (“**Regulation S**”).

Risk Factors

For a discussion of certain risk factors relating to the Issuer, the Financial Guarantors, the Project, ProjectCo and the Bonds that prospective investors should carefully consider prior to making

an investment in the Bonds. See the section entitled “*Risk Factors*” below.

Securities Identifiers for the Bonds

ISIN: XS2314794145.

Common Code: 231479414.

Governing Law

The Bond Trust Deed, the Bonds and the Coupons and each Bond Financial Guarantee, and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law.

Currency

The Bonds will be denominated in pounds Sterling.

RISK FACTORS

This section summarises certain risk factors that the Issuer believes are material and that may affect the Issuer's ability to make payments of interest and principal on the Bonds. In the case of certain risks this may lead to, among other things:

- (i) *an Event of Default under the Issuer Security Trust and Intercreditor Deed (see the section entitled “Description of the Issuer Finance Documents — The Issuer Security Trust and Intercreditor Deed” below) and at the option of the Controlling Creditor, acceleration of the Bonds (see the section entitled “Terms and Conditions of the Bonds” below); or*
- (ii) *non-payment of those amounts due on the Bonds and not guaranteed under the Bond Financial Guarantees (see the section entitled “Overview of the Bond Issue” above), and if additionally AGUK and/or AGM were to default on its/their obligations under the relevant Bond Financial Guarantee(s), non-payment of amounts due on the Bonds that are guaranteed under such Bond Financial Guarantee(s).*

Terms used in this section “Risk Factors” which have been capitalised and which are not otherwise defined in this Prospectus bear the same meaning as in the Project Agreement and the Conditions.

Any prospective investor should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of their investment. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

The risk factors have been organised into the following categories:

- (i) Risks relating to the Issuer and ProjectCo;
- (ii) Risks relating to the Project;
- (iii) Risks relating to the Financial Guarantors; and
- (iv) Risks relating to the Bonds and the Market.

Within each category, the most material risks, in the assessment of the Issuer, are set out first. The Issuer has assessed the relative materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact. The order of the categories does not imply that any category of risk is more material than any other category. Prospective investors should read the detailed information set out in this Prospectus (including the documents incorporated by reference in this Prospectus), in conjunction with each of the risk factors described below, and reach their own views prior to making any investment decision.

1 Risks relating to the Issuer and ProjectCo

See the section entitled “Description of the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo” below.

The Issuer is a newly incorporated special purpose company which has produced no financial statements since its date of incorporation. Its principal purposes are to issue the Bonds, use the proceeds to purchase from the Secretary of State for Health and Social Care its interest as lender under the PSLFA and to enter into the Issuer Finance Documents to which it is party.

ProjectCo is a special purpose company and was incorporated for the purpose of entering into the Project Agreement and running the Project. The ability of ProjectCo to meet its obligations under the PSLFA to the Issuer and thus enabling the Issuer to meet its obligations under the Bonds is conditional upon the success of

the Project. For further and detailed risks which may affect the success of the Project, see the section entitled ‘*Risks relating to the Project*’ below.

2 Risks relating to the Project

2.1 *The Project is financed on a non-recourse basis.*

The Project is financed on a non-recourse basis. ProjectCo is a special purpose company with no business other than the operation of the Project. It is reliant upon the revenue stream provided by the Service Payment payable by the Trust pursuant to the Project Agreement in order to fulfil its obligations under the Loan Finance Documents (as defined below). The Bondholders will not have any recourse to the shareholders of ProjectCo, ProjectHoldCo, the Issuer or Issuer HoldCo.

2.2 *The Service Payment may be subject to deductions*

See the section entitled “Project Description – Performance and Service Payment Deductions” below for further details on the Service Payment and any Service Payment Deductions.

As further disclosed on page 42 (inclusive) of this Prospectus, the Service Payment (as defined under the section entitled “*Project Description – Background*” below) comprises the only source of revenue enabling ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds. The Service Payment is subject to deductions in certain circumstances as defined and measured under the Project Agreement, including poor performance or non-performance of the Services (as defined under the section entitled “*Project Description – Background*” below).

To the extent that deductions from the Service Payment exceed the Services Contractors’ (as defined under the section entitled “*Project Description – Structuring*” below) liability caps are otherwise not passed down to a Services Contractor, and subject to business interruption insurance and reserves, the ability of ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds may be adversely affected. This risk is mitigated during the term of the Loan Financial Guarantees, as each of AGUK and AGM unconditionally and irrevocably guarantees in favour of the Issuer as lender under the PSLFA, scheduled principal and interest in respect of the Loan.

Under the Project Agreement, poor performance or non-performance of the Services or unavailability of any part of the Facilities can attract Service Failure Points as well as deductions under the Payment Mechanism. If the Service Failure Points awarded to ProjectCo in respect of poor performance or non-performance of the Services or unavailability of any part of the Facilities exceed a specified level over a rolling six-month period, this will constitute a “ProjectCo Event of Default”. If ProjectCo fails to rectify the problem such that a further specified number of Service Failure Points are awarded within the following three-month period this will lead to the Trust having a right to terminate the Project Agreement with immediate effect.

2.3 *The Project Agreement may be terminated*

See the sections entitled “Description of the Project Documents — The Project Agreement” below for further detail on the termination provisions of the Project Agreement, any Service Payment deductions and the compensation and termination arrangements.

As further disclosed on pages 160 to 182 (inclusive) of this Prospectus, the Project Agreement incorporates termination rights for the Trust and ProjectCo.

The Project Agreement provides for compensation from the Trust in the case of a termination for any reason, with the amount due varying depending on the reason for termination and other circumstances.

If the Trust:

- 2.3.1 elects to make a lump sum termination payment (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below);
- 2.3.2 fails to exercise its Instalment Option (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below);
- 2.3.3 is required to make a lump sum termination payment following a ProjectCo Event of Default or a Trust Event of Default under the Project Agreement (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below); or
- 2.3.4 defaults on its ongoing payment obligation under the Instalment Option (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below),

the amount of compensation payable by the Trust is intended to enable ProjectCo to meet its obligations to the Issuer under the PSLFA and the Issuer to meet its obligations under the Bonds. This is not guaranteed, however, and payment by the Trust of such compensation may not be sufficient or sufficiently timely to enable ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds where the Instalment Option has not been exercised.

By exercising the Instalment Option, the Trust can continue to pay the senior debt component of the Base Senior Debt Amount (as defined in the section entitled “*Description of the Project Documents – The Project Agreement – Compensation on Termination – Compensation in the event of termination for Trust Event of Default, Trust Voluntary Termination and No Reinstatement by the Trust*” below) or the Revised Senior Debt Termination Amount in accordance with the repayment schedule under the PSLFA and thereby can avoid make-whole amounts payable on the Bonds in case of or of an early redemption. If the Trust exercises the Instalment Option, the Loan Financial Guarantees and the Bond Financial Guarantees shall terminate unless the Financial Guarantors elect to not terminate (see the section entitled “*Risk Factors – Reliance on the Financial Guarantors*”). If the Loan Financial Guarantees and the Bond Financial Guarantees terminate, the Bondholders will not have the benefit of the Bond Financial Guarantees (and indirectly, the Loan Financial Guarantees). The Bondholders would then be relying only on payments made by the Trust to the Issuer in respect of Senior Debt Ongoing Amounts that the Trust is obliged to make to the Issuer following the exercise of the Instalment Option (which it is obliged to do irrespective of the termination of the Loan Financial Guarantees and the Bond Financial Guarantees) which the Issuer will use to meet its obligations under the Bonds.

Bondholders should assume that, if the Trust exercises the Instalment Option, the Financial Guarantors will elect to terminate both the Bond Financial Guarantees and the Loan Financial Guarantees at that time.

For ProjectCo Events of Default (other than wilful breach of the Project Agreement’s refinancing provisions, as referred to above), the amount of compensation payable by the Trust will depend on the Project’s value as assessed either by bidders in the market or by expert valuation. There is no prescribed minimum valuation and the compensation may not be sufficient to enable ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.4 *The Covid-19 pandemic could adversely impact the Project.*

The emergence and prolonged existence of the Covid-19 pandemic in the UK, Europe and around the world, together with any resulting restrictions and/or imposition of quarantines, may have far-reaching ramifications for the UK and the global economy.

While the impact on the Project has been relatively limited and manageable to date, there can be no assurance that this will remain the case in the future as it is currently not possible to estimate the full extent of the outbreak and the precise impact of the ongoing Covid-19 crisis, including the depth or timing of the various restrictive government measures that have been taken in response thereto and their real impact.

In particular, the Covid-19 may have an adverse effect on:

- the normal operation of the Project;
- the ability of staff of the Service Provider to work or work effectively in relation to providing the Services;
- the supply chain or delivery of goods or services related to the Services, including postal delays;
- the provision and performance of the Services, which may lead the Service Payment to be subject to Service Payment Deductions (see the section entitled “*The Service Payment may be subject to deductions*” above); and
- the financial ability of the Trust to provide the Service Payment.

There is, therefore, a risk that ProjectCo may be unable to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.5 Construction Defects may lead to Service Payment deductions and rectification costs

Where construction defects manifest themselves following completion of the Facilities, ProjectCo may suffer Service Payment deductions as noted above and be obliged to rectify the defects unless it is otherwise entitled to relief as an Excusing Cause.

Under the Services Contract (as defined under the section entitled “*Project Description – Background*” below), a construction defect is an Excusing Cause (as defined below), which means that should any construction defect adversely affect the performance of the Service Provider’s (as defined under the section entitled “*Project Description – Background*” below) obligations and/or causes the occurrence of a breach in the Services Contract, then the Service Provider’s failure to perform will not constitute a breach of any provisions of the Services Contract and the Service Provider will be relieved from liability for deductions from the Service Payment.

ProjectCo is obliged to ensure that the construction works meet standards set out in the Project Agreement, and therefore may incur costs to rectify construction defects. There is no warranty from the construction contractor that ProjectCo has recourse to it for such costs.

As of the 1 May 2020, the Trust and ProjectCo have agreed a list of construction defects existing as of that date, and for these to be rectified by ProjectCo. Rectification of these construction defects is still ongoing and is being managed through the Framework Agreement entered into with AMS (both as defined under the section entitled “*Project Description – Background*” below). Under the Framework Agreement, AMS is responsible for delivering the rectification works. AMS is also responsible for defects that arise from its works for twelve (12) months from completion and has provided a collateral warranty to the Facility Security Trustee. ProjectCo is responsible for the costs for these projects, with the exception of fire improvement works for which there is cost sharing with the Trust. ProjectCo is paying these amounts out of its Service Payments received from the Trust.

Aside from those listed defects, there is a known defect in the concrete service tunnel which requires works to rectify. The Trust and ProjectCo have agreed in principal to sharing costs between them.

Works to remedy other known defects which are not included mentioned above are either covered by the insurances required under the Project Agreement (on the basis that the work required for rectification on an individual basis are small in nature) or covered by additional insurance that ProjectCo has obtained. In September 2020, ProjectCo commissioned an independent assurance review on defect rectification at Queen Alexandra Hospital (the “**Hospital**”) which was carried out in September 2020 by Faithful & Gould, a project and programme management consultancy. It was concluded that no issues of material concern were evident.

2.6 Termination and Replacement of Services Contractors

Should either of the Services Contractors consistently or seriously fail in the performance of its respective services, or become insolvent, ProjectCo may terminate that Services Contractor’s Services Agreement.

ProjectCo will need to procure a replacement service provider in order to ensure continued provision of services to the Trust. In the course of doing so, ProjectCo may suffer deductions from the Service Payment and/or become obliged to reimburse the Trust’s costs in circumstances in which the Trust is entitled (and elects) to self-procure those services during any disruption suffered through the replacement process. There is therefore a risk that ProjectCo may not be able to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

ProjectCo will also bear the risk that the replacement services agreement price is higher than that of the terminated Services Agreement as the increase in the agreement price will not result in an increase in the amount of Service Payments receivable by ProjectCo from the Trust. Therefore, there is a risk that the Service Payments would not be sufficient to cover the payments to be made by ProjectCo to the Services Contractor under the Services Agreement and ProjectCo will not be able to meet its obligations under the PSLFA to the Issuer and the Issuer will not be able to meet its obligations under the Bonds.

2.7 ProjectCo bears risk of Damage

Under the Project Agreement, ProjectCo bears the majority of risks of damage, such as damage due to fire, flooding, subsidence, explosion and vandalism, to the Facilities and would be required to reinstate the Facilities at its own cost, without recourse to the Trust.

ProjectCo’s strategy for managing these risks is substantially based on passing them to the Insurers, to the extent further described in the section entitled “*Description of the Project Documents — Insurance*” below.

However, to the extent there are difficulties with obtaining insurance or the proceeds of any insurance claims are insufficient, ProjectCo will be required to cover those costs, which may result in reduced amount of cash being available to ProjectCo to meet its obligations under the PSLFA to the Issuer, and the Issuer to meet its obligations under the Bonds.

2.8 Indemnities

Under the Project Agreement, ProjectCo is required in a number of circumstances to indemnify the Trust in respect of claims for death or personal injury and damage to or loss of Trust Assets and third party property.

ProjectCo’s strategy for managing these risks is substantially based on receiving reciprocal indemnities from the Services Contractors where their activities have given rise to the claim and/or passing these

risks to the Insurers, to the extent further described in the section entitled “*Description of the Project Documents — Insurance*” below.

However, to the extent there are difficulties with obtaining insurance or the proceeds of any insurance claims are insufficient, ProjectCo will be required to cover those costs, which may result in reduced amount of cash being available to ProjectCo to meet its obligations under the PSLFA to the Issuer, and the Issuer to meet its obligations under the Bonds.

2.9 Environmental Matters

ProjectCo will be subject to laws and regulations that relate to activities or operations that may have adverse environmental effects (such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes) and that impose liability for environmental contamination, including the costs of cleaning up sites which have been the subject of spills, disposals or other releases of hazardous materials. Fines, damages and penalties may also be imposed under certain of such laws and regulations. Under the Project Agreement, ProjectCo assumes a contractual obligation to clean up, or otherwise deal with, any contamination (such as pollutants) present at the Facilities. The Service Provider is only obliged to deal with any contamination it caused. Therefore, ProjectCo will have to deal with any contamination it was responsible for, as well as third party contamination (unless certain conditions are satisfied, such as being under existing buildings as at the date the Project Agreement was entered into).

Should any such additional cost eventuate, ProjectCo may be able to recover some of these costs under their material damage insurance for contamination if the cause of the contamination is covered by the insurance. Any amounts not received under insurance or other parties may result in reduced amount of cash being available to ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.10 Change in Law affecting the Project

The Trust undertakes to compensate ProjectCo in respect of changes in law enacted after the date of the Project Agreement which:

- (i) discriminate against the Hospital or ProjectCo, or against PFI projects or PFI companies and have an impact on the cost of performance of the Project Operations; or
- (ii) principally relate only to the provision or operation of healthcare premises and have an impact on the cost of performance of the Project Operations; or
- (iii) require ProjectCo to undertake additional works on the Facilities that are not otherwise required.

In the case of items (i) and (ii), compensation is to be calculated so as to leave ProjectCo in no better and no worse position (the *de minimis*).

In the case of items (iii), compensation payable is subject to a *de minimis* threshold.

ProjectCo bears the risk, as against the Trust, of the cost of compliance with changes of law not falling within the categories referred to above. This risk is substantially passed down to the Services Contractors to the extent that it relates to that Services Contractor’s own obligations under its Services Agreement.

To the extent there are difficulties with obtaining recoveries from the Services Contractors or where the compliance of falls outside of those categories and do not relate to the Services Contractor’s obligation, ProjectCo will be required to cover those costs itself which may result in reduced amount of cash being

available to ProjectCo, thereby ProjectCo being unable to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.11 Insurance and Uninsurable Risks

See the section entitled “Description of the Project Documents — Insurance” below.

As further disclosed on pages 169 to 171 (inclusive) of this Prospectus, ProjectCo’s strategy for the management and mitigation of a number of risks depends on its ability to insure. Subject as noted in the following paragraphs (or in the section entitled “Description of the Project Documents — Insurance” below), ProjectCo bears the risk that the cost of its insurance programme may increase over time, or that insurances may become unavailable (at all, or at sustainable cost).

Where the cost of placing the insurances required by the Project Agreement exceeds a specified threshold, the Trust will be liable to contribute a proportion of such increased cost, so mitigating ProjectCo’s exposure. Other than in such scenarios of large cost change, ProjectCo bears the risk of increases in the cost of its insurances and enjoys the benefit of decreases in such costs.

Any increases in the cost of insurances which cannot be recovered or shared with the Trust which may result in reduced amount of cash being available to ProjectCo, thereby ProjectCo being unable to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

In certain very limited circumstances, the unavailability of insurances required under the Project Agreement will give rise to an “**Uninsurable Risk**”. On the occurrence of an Uninsurable Risk, the Trust must elect either to pay to ProjectCo (within six months of such occurrence) sums equal to those which would have been paid by insurers under the lapsed policy (subject as noted below) or to terminate the Project Agreement (whereupon compensation is payable on the same basis as where the Project Agreement is terminated for Force Majeure).

In the case of public liability insurances, the Trust may not wait until the occurrence of the risk to elect but rather must make its election (between termination and liability for payment of quasi-insurance) on the date on which the risk becomes an Uninsurable Risk. If the Trust elects to be liable for payment and the Uninsurable Risk occurs, the Trust is obliged to pay to the third party claimant sums equivalent to those which would have been paid by insurers, without the six month delay referred to above.

Upon the occurrence of an Uninsurable Risk which (formerly) was required to be insured under ProjectCo’s advance loss of profits insurance or business interruption insurance, the Trust (if it elects to pay rather than terminate) will pay a smaller amount than would have been paid by insurers. The smaller amount is structured by reference to ProjectCo’s debt service and other unavoidable costs but does not include any sums in respect of lost revenue which would have been applied to make returns to shareholders or fund reserves within ProjectCo.

An inability to fund reserves may reduce ProjectCo’s ability to manage its liquidity at a later date, which can lead ProjectCo to be unable to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.12 Inflation

The Service Payment due to ProjectCo under the Project Agreement is indexed in accordance with RPI. The majority of ProjectCo’s costs (in particular the fees payable to the Services Contractors) are subject to escalation linked to RPI. Indexation of the Service Payment (ProjectCo’s principal source of revenue) may, for various reasons, fail to match the actual effects of inflation on Project costs. As the Service Payment is ProjectCo’s sole source of revenue, to the extent that it does not match the actual effects of inflation on ProjectCo’s costs, ProjectCo may be unable meet its obligations under the PSLFA to the

Issuer and the Issuer to meet its obligations under the Bonds. See the section entitled “*Risk Factors - Proposed Reform to RPI in 2030 in respect of the Bonds*” below.

2.13 *The Trust may become a Foundation Trust*

See the section entitled “Description of the Project Documents — Deed of Safeguard” below.

As further disclosed on pages 185 to 186 (inclusive) of this Prospectus, the Trust may become a Foundation Trust. In such an event, the Residual Liabilities Act would not apply as the Trust would be a former NHS trust which has become a Foundation Trust, so that certain statutory protections for the creditors of NHS trusts would cease to apply. However, the Issuer considers that the risk of this factor crystallising on Bondholders would be low (although the Issuer relies upon payment from ProjectCo under the PSLFA, and ProjectCo in turn relies upon Service Payments payable to it by the Trust) because under the provisions of the Deed of Safeguard, the Secretary of State for Health and Social Care would effectively guarantee the liabilities of the Trust.

2.14 *Trust’s Status and Performance*

The Secretary of State for Health and Social Care (or a duly empowered official) has certified that the Project Agreement, the Funders Direct Agreement, and certain other Project Documents are “externally financed development agreements” as defined under the National Health Service (Private Finance) Act 1997, thereby clarifying that the Trust has the statutory power to enter into such agreements.

In the event that the Trust experiences a shortage of funding and is unable to meet its payment obligations under the Project Agreement, the Secretary of State for Health and Social Care may (but is not obliged to) dissolve the Trust, triggering the exercise of powers under the National Health Service (Residual Liabilities) Act 1996 (the “**Residual Liabilities Act**”) to vest the Trust’s obligations in another NHS Trust or health authority body pursuant to the Residual Liabilities Act.

Due to the discretionary powers of the Secretary of State for Health and Social Care, there is no immediate right of action for the Issuer against the Secretary of State and therefore, the Issuer may not be able to direct ProjectCo to bring a direct claim for the amounts owed to ProjectCo under the Project Agreement. If ProjectCo is unable to recover the amounts owed to it by the Trust, it may not be able to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

2.15 *Force Majeure Events and Relief Events may arise*

Various events are defined in the Project Agreement as Force Majeure Events, being principally war, terrorism, nuclear contamination and pressure waves from aircraft.

Relief Events are defined in the Project Agreement and comprise a separate class of specified events including fire, explosion, storm, tempest, accidental losses, damage, blockade and general industry strikes.

Where either a Relief Event or a Force Majeure Event prevents ProjectCo’s performance of its obligations, ProjectCo will be relieved from any default-based termination of the Project Agreement which might otherwise have resulted from such non-performance. However, deductions from the Service Payment may still be made in respect of such non-performance (including in respect of unavailability of the Facilities). Such deductions are substantially passed by ProjectCo to the Service Provider.

ProjectCo’s business interruption insurance is intended substantially to mitigate the risk of financial loss due to those of the Relief Events which are insurable.

However, the financial consequences of Force Majeure Events will not be subject to insurance. If a Force Majeure Event has a material effect and has been subsisting for six months, either the Trust or ProjectCo may terminate the Project Agreement and compensation is payable to ProjectCo. Relief Events do not lead to termination in this manner and so their financial consequences may continue to be suffered indefinitely (to the extent not mitigated by insurance).

There is therefore a risk that ProjectCo may incur additional insurance costs, or, due to the unavailability of an insurance (which is not an Uninsurable Risk), be uninsured for a risk which can lead to additional costs, both of which could lead ProjectCo to be unable to meet its obligations under the PSLFA to the Issuer, and the Issuer to meet its obligations under the Bonds.

2.16 *ProjectCo must maintain reserves for lifecycle costs*

ProjectCo must ensure that certain major maintenance, renewal and plant replacement work is undertaken in relation to the Facilities in order to meet its obligations under the Project Agreement during the term of the Project Agreement. These obligations are passed down to the Service Provider for minor lifecycle works, but for major lifecycle works, ProjectCo will have to cover the Service Provider's cost. If the value is high, then ProjectCo may choose to enter into a tendering process.

There is therefore a risk that ProjectCo may incur additional costs for lifecycle works which would reduce the amount of cash ProjectCo has to service its debt and lead ProjectCo to be unable to meet its obligations under the PSLFA to the Issuer, and the Issuer to meet its obligations under the Bonds.

ProjectCo will also be required pursuant to the Collateral Deed to maintain within itself reserves calculated by reference to the expected lifecycle costs over a three year look forward period. It is, therefore, possible for such a reserve level requirement to increase and reduce the amount the cash ProjectCo has otherwise, and then lead to issues paying other outgoings, which can overall, reduce the amount of cash ProjectCo has to service its debt and lead ProjectCo to be unable to meet its obligations under the PSLFA to the Issuer, and the Issuer to meet its obligations under the Bonds. Although the relevant reserve account is secured in favour of the Issuer, and so should there be any enforcement scenario, that sum will be used to repay amounts due under the PSLFA, which the Issuer will use to meet its obligations under the Bonds.

3 Risks Relating to the Financial Guarantors

3.1 Reliance on the Financial Guarantors

The Bond Financial Guarantees only guarantee scheduled principal and scheduled interest payments by the Issuer on the date(s) when such amounts are initially scheduled to become due and payable (subject to and in accordance with each Bond Financial Guarantee), and do not guarantee the market price, or liquidity of any securities, nor do they guarantee that the ratings on such securities will not be revised or withdrawn. See the sections entitled "*Form of AGUK Bond Financial Guarantee*" and "*Form of AGM Bond Financial Guarantee*" below. The payment of the Guaranteed Amounts (as defined in the Bond Financial Guarantees) will depend upon each of the Financial Guarantors performing its obligations under the relevant Bond Financial Guarantee. The likelihood of payment of the Guaranteed Amounts will depend upon the creditworthiness of each of the Financial Guarantors. Consequently, investors are relying not only on the creditworthiness of the Issuer, but also on the creditworthiness of each of the Financial Guarantors to perform its obligations under the relevant Bond Financial Guarantee. The insolvency of either of the Financial Guarantors or a default by either under its respective Bond Financial Guarantee may adversely affect the likelihood of investors receiving scheduled payments of principal and interest and could result in a withdrawal or downgrade of the ratings of the Bonds.

As further set out in the section entitled “*Overview of the Bond Issue*” above) and the section entitled “*Description of the Project Documents — The Project Agreement*” below, if the Trust exercises the Instalment Option and both the Bond Financial Guarantees and Loan Financial Guarantees are terminated, the Bondholders will not have the benefit of the Bond Financial Guarantees (and indirectly, the Loan Financial Guarantees). The Bondholders can then only rely on the payment by the Trust of the Senior Debt Ongoing Amounts to the Issuer (which it is obliged to do irrespective of the termination of the Bond Financial Guarantees and the Loan Financial Guarantees) which the Issuer will use to meet its obligations under the Bonds.

3.2 Rating of the Bonds affected by the Financial Guarantors

The rating of the Bonds is based primarily on the Bond Financial Guarantees issued by the Financial Guarantors with respect to the Bonds. The financial strength ratings assigned by S&PGR, Moody's and KBRA, as applicable, to the Financial Guarantors represent such rating agencies' opinions of each of the Financial Guarantor's financial strength and ability to meet ongoing obligations to policyholders and cedants in accordance with the terms of the financial guarantees it has issued or the reinsurance agreements it has executed. Ratings are subject to continuous rating agency review and revision or withdrawal at any time. Additionally, each Financial Guarantor periodically assesses the value of each rating assigned to it and may as a result of such assessment request that a rating agency add or drop a rating.

The rating agencies have changed their methodologies and criteria from time to time. Factors influencing the rating agencies are beyond the control of the Financial Guarantors and not always known to the Financial Guarantors. In the event of an actual or perceived deterioration in creditworthiness of large risks in a Financial Guarantor's insurance portfolio, or a change in a rating agency's capital model or rating methodology, a rating agency may require a Financial Guarantor to increase the amount of capital it holds to maintain its financial strength and financial enhancement ratings under the rating agencies' capital adequacy models, or a rating agency may identify an issue that additional capital would not address. The amount of any additional capital required may be substantial, and may not be available to a Financial Guarantor on favorable terms and conditions or at all, especially if it were known that additional capital was necessary to preserve the Financial Guarantor's financial strength or financial enhancement ratings. The failure to raise any additional required capital, or successfully address another issue or issues raised by a rating agency, could result in a downgrade of the ratings of a Financial Guarantor, which could result in a downgrade of the ratings of the Bonds. Such a downgrade may also have an adverse impact upon the Financial Guarantor's business, results of operations and financial condition, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantee.

3.3 Control by the Financial Guarantors

While the Bond Financial Guarantees mitigate the credit risks to which potential investors in the Bonds would otherwise be exposed, the involvement of the Financial Guarantors has certain consequences. For example, for so long as they are the Controlling Creditor, the Financial Guarantors will have the right to exercise and control Financing Rights under the Issuer Finance Documents which would otherwise be exercised and controlled by the Bond Trustee and the Security Trustee (including the discretion as to whether to declare events of default or enforcement events or to accelerate payments of principal and interest), and in respect of which the Bond Trustee might otherwise have sought the directions of the Bondholders, subject to clause 12 (*Consent of Controlling Creditor and Entrenched Rights and Reserved Matters of Creditors*) of the Issuer Security Trust and Intercreditor Deed. In addition, in the event that the Financial Guarantors are required to make a payment under the Bond Financial Guarantees, the Issuer will be required to reimburse the Financial Guarantors and to pay various fees, costs and expenses

to the Financial Guarantors pursuant to the Issuer Reimbursement and Indemnity Deed (as defined below).

3.4 Acceleration of Bonds

The terms of each Bond Financial Guarantee provide that any Accelerated Payment (as defined in the relevant Bond Financial Guarantee) will be made by the relevant Financial Guarantor only in its absolute discretion if it elects to do so. If no such election is made, that Financial Guarantor will continue to be liable to make payments of Guaranteed Amounts in respect of the Bonds pursuant to the relevant Bond Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

3.5 Withholding Tax on Payments under the Bonds or Bond Financial Guarantees

If any withholding tax is imposed on payments under the Bonds or the Bond Financial Guarantees, the Financial Guarantors are not required to “gross up” payments to the Bondholders. In such circumstances, Bondholders will receive payments from the Financial Guarantors net of such withholding tax.

3.6 Impact of the Covid-19 Pandemic on the Financial Guarantors

The development, course and duration of the Covid-19 pandemic, the effectiveness and acceptance of the related vaccines, and the governmental and private actions taken in response to the pandemic may adversely affect each Financial Guarantor’s financial condition, results of operations, capital, liquidity, and business prospects, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantees or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds.

In addition to its human toll, the Covid-19 pandemic and the governmental and private actions taken in response have caused economic and financial disruption on a global scale. While vaccinations have been developed and are being approved and deployed by governments, the course and duration of the pandemic, the effectiveness and acceptance of the vaccines, and future governmental and private responses to the pandemic remain unknown. Consequently, all of the direct and indirect consequences of Covid-19 are not yet known and may not emerge for some time. The most material of these risks to each Financial Guarantor include the following:

- (i) The impact on its insurance business, including:
 - (a) increased insurance claims and loss reserves;
 - (b) increased correlation of risks;
 - (c) difficulty in meeting applicable capital requirements as well as other regulatory requirements; and
 - (d) reduction in one or more of its financial strength and enhancement ratings;
- (ii) the impact of legislative or regulatory responses to the pandemic;
- (iii) losses in the Financial Guarantor’s investments; and
- (iv) operational disruptions and security risks.

The Covid-19 pandemic and governmental and private actions taken in response may also exacerbate many of the risks applicable to each Financial Guarantor in ways or to an extent not yet identified by that Financial Guarantor.

3.7 Impact of Developments in the U.S. and Global Financial Markets and Economy Generally on the Financial Guarantors

In recent years, the global financial markets and economy generally have been impacted by the Covid-19 pandemic, political events such as trade confrontations between the U.S. and traditional allies and between the U.S. and China as well as the withdrawal of the UK from the European Union. The global economic and political systems also have been impacted by events in the Middle East and Eastern Europe, as well as Africa and Southeast Asia, and could be impacted by other events in the future, including natural and man-made events and disasters. These and other risks may adversely affect a Financial Guarantor's financial condition, results of operations, capital, liquidity, and business prospects, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantee or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds.

3.8 Impact on the Financial Guarantors of Significant Budget Deficits and Pension Funding and Revenue Shortfalls at Some of the State and Local Governments and Agencies that Issue Obligations Insured by the Financial Guarantors

Some of the state, territorial, and local governments that issue the obligations the Financial Guarantors insure are experiencing significant budget deficits and pension funding and revenue collection shortfalls (in some cases caused or exacerbated by the Covid-19 pandemic). Certain territorial or local governments, including ones that have issued obligations insured by the Financial Guarantors, have sought protection from creditors under chapter 9 of the U.S. Bankruptcy Code, or, in the case of Puerto Rico, the similar provisions of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), as a means of restructuring their outstanding debt. In some instances where local governments were seeking to restructure their outstanding debt, pension and other obligations owed to workers were treated more favourably than senior bond debt owed to the capital markets. If the issuers of the obligations in the Financial Guarantors' public finance portfolio do not have sufficient funds to cover their expenses and are unable or unwilling to raise taxes, decrease spending or receive federal assistance, the Financial Guarantors may experience increased levels of losses or impairments on their insured public finance obligations.

In addition, obligations supported by specified revenue streams, such as revenue bonds issued by toll road authorities, municipal utilities or airport authorities, may be adversely affected by revenue declines resulting from reduced demand, changing demographics or other factors associated with the Covid-19 pandemic or other causes. These obligations, which may not necessarily benefit from financial support from other tax revenues or governmental authorities, may also experience increased losses if the revenue streams are insufficient to pay scheduled interest and principal payments.

These risks may adversely affect a Financial Guarantor's financial condition, results of operations, capital, liquidity, and business prospects, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantee or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds.

3.9 Impact of Large or Correlated Exposures on the Financial Guarantors

The Financial Guarantors are exposed to the risk that issuers of obligations they insure or other counterparties may default in their financial obligations, whether as a result of insolvency, lack of liquidity, operational failure or other reasons, and the amount of insurance exposure the Financial Guarantors have to some the risks is quite large. The Financial Guarantors seek to reduce this risk by managing exposure to large single risks, as well as concentrations of correlated risks, through tracking its aggregate exposure to single risks in its various lines of insurance business and establishing

underwriting criteria to manage risk aggregations. Should the Financial Guarantors' risk assessments prove inaccurate and should the applicable limits prove inadequate, they could be exposed to larger than anticipated losses, and could be required by the rating agencies to hold additional capital against insured exposures whether or not downgraded by the rating agencies. Their ultimate exposure to a single risk may exceed their underwriting guidelines (caused by, for example, acquisitions, reassumptions, or amortisation of the portfolio faster than the single risk).

The Financial Guarantors are exposed to correlation risk across the various assets they insure and in which they invest. During periods of strong macroeconomic performance, stress in an individual transaction generally occurs for idiosyncratic reasons or as a result of issues in a single asset class (so impacting only transactions in that sector). During a broad economic downturn or in the face of a significant natural or man-made event or disaster (such as the Covid-19 pandemic), a wider range of the Financial Guarantors' insurance and investments could be exposed to stress at the same time. This stress may manifest itself in any or all of the following: ratings downgrades of insured risks, which may require more capital in the Financial Guarantors' insurance subsidiaries; a reduction in the value of the Financial Guarantors' investments; and actual defaults and losses in its insurance portfolio and / or investments.

These risks may adversely affect a Financial Guarantor's financial condition, results of operations, capital, liquidity, and business prospects, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantee or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds.

3.10 Losses on Obligations of the Commonwealth of Puerto Rico and its Related Authorities and Public Corporations Insured by AGM

AGM has a large exposure to the Commonwealth of Puerto Rico (“**Puerto Rico**” or the “**Commonwealth**”) and various obligations of its related authorities and public corporations, and losses on such insured exposures significantly in excess of those currently expected by AGM could adversely affect AGM's financial condition, results of operations, capital, liquidity, and business prospects, which could adversely impact its ability to meet its obligations under the relevant Bond Financial Guarantee or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds. The total net expected loss AGM calculates related to such exposures is net of a significant credit for estimated recoveries on claims already paid, and recoveries significantly below those expected by AGM, whether as a result of the Covid-19 pandemic or otherwise, could also have a negative effect on AGM's financial condition, results of operations, capital, liquidity, business prospects and share prices. Additional information about AGM's exposure to Puerto Rico and legal actions related to that exposure may be found at AGM GAAP Financial Statements, dated September 30, 2020, Note 2, Outstanding Exposure, Exposure to Puerto Rico.

3.11 Impact Changes in Attitudes Toward Debt Repayment on the Financial Guarantors

The likelihood of debt repayment is impacted by both the ability and the willingness of the obligor to repay their debt. Debtors generally understand that debt repayment is not only a legal obligation but is also appropriate, and that a failure to repay their debt will impede their access to debt in the future. To the extent societal attitudes toward the repayment of debt by struggling obligors softens and such obligors believe there to be less of a penalty for nonpayment, some struggling debtors may be more likely to default and, if they default, less likely to agree to repayment plans they view as burdensome. If the issuers of the obligations in the Financial Guarantors' public finance portfolio become unwilling to raise taxes, decrease spending or receive federal assistance in order to repay their debt, the Financial Guarantors may experience increased levels of losses or impairments on the public finance obligations they insure, which could adversely impact their ability to meet their obligations under the relevant Bond

Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.12 Impact of Global Climate Change on the Financial Guarantors

Global climate change and climate change regulation may impact asset prices and general economic conditions and may disproportionately impact particular sectors, industries, or locations. The Financial Guarantors cannot predict the long-term impacts on them from climate change or climate change regulation. They consider environmental risk in their insurance underwriting process and manages their insurance and investment risks by maintaining well-diversified portfolio of insurance and investments both geographically and by sector, and monitor these measures on an ongoing basis. While the Financial Guarantors can adjust their investment exposure to sectors and/or geographical areas that face severe risks due to climate change or climate change regulation, they have less flexibility in adjusting the exposure in their insurance portfolios because some of the financial guarantees they issue insure the credit performance of the guaranteed obligations over an extended period of time, in some cases over 30 years, and, in most circumstances, they have no right to cancel such insurance. As a consequence, global climate change may cause the Financial Guarantors to experience increased levels of losses or impairments on the obligations they insure, which could adversely impact their ability to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.13 Impact of Credit Losses and Changes in Interest Rates on the Financial Guarantors' Investments

The Financial Guarantors' investments primarily consist of fixed-income securities and short-term investments. Realised credit losses on their investments adversely affect their financial condition and results of operations by reducing net income and shareholders' equity. The impact of changes in interest rates may also adversely affect both the financial condition and results of operations of the Financial Guarantors. For example, if interest rates decline, funds reinvested will earn less than expected, reducing their future investment income compared to the amount they would earn if interest rates had not declined. However, the value of their fixed-rate investments would generally increase, resulting in an unrealised gain on investments and improving their financial condition. Conversely, if interest rates increase, their results of operations would improve as a result of higher future reinvestment income, but their financial condition would be adversely affected, since value of the fixed-rate investments generally would be reduced.

Interest rates are highly sensitive to many factors, including monetary policies, domestic and international economic and political conditions and other factors beyond the Financial Guarantors' control. The Financial Guarantors do not engage in active management, or hedging, of interest rate risk in their investment portfolios, and may not be able to mitigate interest rate sensitivity effectively.

The negative impact of credit losses and changes in interest rates on the investment portfolios of the Financial Guarantors could adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.14 Expansion of the Categories and Types of the Financial Guarantors' Investments

The Financial Guarantors are using the investment knowledge and experience of an affiliated asset manager to expand the categories and types of their investments (including those accounted for as consolidated investment vehicles). This expansion of categories and types of investments may increase the credit, interest rate and liquidity risk in their investments (including those accounted for as consolidated investment vehicles). In addition, the fair value of some of these assets may be more volatile

than other investments made by them. In addition, this expansion has resulted in the Financial Guarantors investing a portion of their portfolio in assets that are less liquid than some of their other investments, and so may increase the risks described in the section entitled “*Financial Guarantor Liquidity*” below. Expanding the categories and types of Financial Guarantors’ investments (including those accounted for as consolidated investment vehicles) may also expose the Company to other types of risks, including reputational risks. These factors could adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.15 Estimates of Expected Losses by the Financial Guarantors

The financial guarantees issued by the Financial Guarantors insure the credit performance of the guaranteed obligations over an extended period of time, in some cases over 30 years, and, in most circumstances, the Financial Guarantors have no right to cancel such financial guarantees. As a result, the Financial Guarantors’ estimates of ultimate losses on a policy are subject to significant uncertainty over the life of the insured transaction. If a Financial Guarantor’s actual losses exceed its current estimate, its financial condition, results of operations, capital, liquidity, business prospects, and ability to raise additional capital may all be adversely affected, which could adversely impact the ability of the Financial Guarantor to meet its obligations under the relevant Bond Financial Guarantee or could result in a downgrade of its ratings, which could result in a downgrade of the ratings of the Bonds.

The determination of expected loss is an inherently subjective process involving numerous estimates, assumptions and judgments by management of the Financial Guarantors, using both internal and external data sources with regard to frequency, severity of loss, economic projections, future interest rates, the perceived strength of legal protections, governmental actions, negotiations and other factors that affect credit performance. The Financial Guarantors do not use traditional actuarial approaches to determine their estimates of expected losses. Actual losses will ultimately depend on future events or transaction performance. As a result, their current estimates of losses may not reflect the future ultimate claims paid.

The Financial Guarantors’ expected loss models take into account current and expected future trends, which contemplate the impact of current and possible developments in the performance of the exposure. These factors, which are integral elements of the Financial Guarantors’ reserve estimation methodology, are updated on a quarterly basis based on current information. Because such information changes over time, sometimes materially, their projection of losses may also change materially.

3.16 Alternative Investments by the Financial Guarantors

The Financial Guarantors and their consolidated investment vehicles may invest in alternative investments, and may over time increase the proportion of their assets invested in alternative investments. Alternative investments may be riskier than other investments they make, and may not result in the benefits anticipated at the time of the investment. In addition, although the Financial Guarantors use what they believe to be excess capital to make alternative investments, whether directly or through consolidated investment vehicles, measures of required capital can fluctuate and such assets may not be given much, or any, value under the various rating agency, regulatory and internal capital models to which they are subject. Also, alternative investments may be less liquid than most of their other investments and so may be difficult to convert to cash or investments that do receive credit under the capital models to which they are subject. See the section entitled “*Financial Guarantor Liquidity*” below. Consequently, alternative investments may adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.17 Impact of Transition from London Interbank Offered Rate (LIBOR) on Financial Guarantors

In 2017, the FCA announced that after 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. While regulators have suggested substitute rates, including the Secured Overnight Financing Rate (“SOFR”), the impact of the discontinuance of LIBOR, will be contract-specific. Issuers of obligations that the Financial Guarantors guarantee have obligations, assets and hedges that reference LIBOR, and some of the obligations the Financial Guarantors guarantee reference LIBOR. In addition, committed capital securities (“CCS”) which benefit AGM pay interest tied to LIBOR, and certain obligations issued by, and certain assets owned by, AGM’s consolidated investment vehicles pay interest tied to LIBOR.

AGM believes a significant portion of the securities impacting AGM are likely to become fixed rate after the discontinuance of the relevant LIBOR rate. As a result, the initial benefit or harm of the sunset of LIBOR depends on the level of interest rates at such time. Also, absent legislative action, whatever interest rate is set by the party responsible for calculating the interest rate may be challenged in court by other parties in interest. Given the lack of clarity on decisions that parties responsible for calculating interest rates will make and the reaction of impacted parties, as well as the unknown level of interest rates when the change occurs, the Financial Guarantors cannot at this time predict the impact of the transition from LIBOR, on every obligor and obligation the Financial Guarantors guarantee, on the CCS that benefit AGM or on certain obligations issued by, and certain assets owned by, AGM’s consolidated investment vehicles. The transition from LIBOR may adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.18 Dependence on Executives by the Financial Guarantors

The Financial Guarantors’ success substantially depends upon their ability to attract and retain qualified employees and upon the ability of its senior management and other key employees to implement its business strategy. The Financial Guarantors believe there are only a limited number of available qualified executives in the business lines in which they compete, and that there is strong competition for qualified asset management executives. Although the Financial Guarantors have designed their executive compensation with the goal of retaining and creating incentives for its executive officers, the Financial Guarantors may not be successful in retaining their services. The loss of the services of any of these individuals or other key members of the Financial Guarantors’ management teams could adversely affect the implementation of their business strategies, and so may adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.19 Reliance on Information Technology by Financial Guarantors

The Financial Guarantors’ business operations rely on the continuous availability of their computer systems as well as those of certain third parties. In addition to disruptions caused by cyberattacks or data privacy breaches, such systems may be adversely affected by natural and man-made catastrophes. The failure of the Financial Guarantors to maintain business continuity in the wake of such events, particularly if there were an interruption for an extended period, could prevent the timely completion of critical processes across its operations, including, for example, claims processing, treasury and investment operations and payroll. These failures could result in additional costs, loss of business, fines and litigation, which could adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

The Financial Guarantors began operating remotely in accordance with their business continuity plans, and instituted mandatory work-from-home policies at their offices, in March 2020. This shift to working

from home has made them more dependent on internet and communications access and capabilities and has heightened the risk of cybersecurity attacks to their operations.

3.20 Reliance on Models by the Financial Guarantors

The Financial Guarantors use models for numerous purposes in their businesses. For example, they use models to project future cash flows associated with pricing models, calculating insurance expected losses, evaluating risks in its insurance and investments, valuing assets and liabilities and projecting liquidity needs. They also use models to determine and project capital requirements under their own risk models as well as under regulatory and rating agency requirements. While they each have a model validation function and have adopted procedures to protect their models, the models may not operate properly (including as a result of errors or damage) and may rely on assumptions that are inherently uncertain and in hindsight are incorrect, which could adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.21 Significant Claim Payments by the Financial Guarantors

Claim payments reduce the Financial Guarantors' invested assets and result in reduced liquidity and net investment income, even if the Financial Guarantors are reimbursed in full over time and do not experience ultimate loss on the claim. In the years after the financial crisis in 2008, many of the larger claims paid by AGM were with respect to insured U.S. RMBS securities. More recently, AGM has been paying large claims related to certain insured Puerto Rico exposures, which it has been doing since 2016. The Financial Guarantors expect and have planned for future claim payments. If the amount of future claim payments is significantly more than that projected by a Financial Guarantor, that Financial Guarantor's ability to meet its obligations under the relevant Bond Financial Guarantee may be adversely affected or its ratings could be downgraded, which could result in a downgrade of the ratings of the Bonds.

3.22 Sudden Need for a Financial Guarantor to Raise Additional Capital

The Financial Guarantors' capital requirements depend on many factors, primarily related to their in-force book of insurance business and rating agency capital requirements for their insurance companies. Failure to raise additional capital if and as needed may result in a Financial Guarantor being unable to write new insurance business and may result in the ratings of that Financial Guarantor being downgraded, which could result in a downgrade of the ratings of the Bonds. If a Financial Guarantor's need for capital arises because of significant insurance losses substantially in excess of the stress scenarios for which it plans, the occurrence of such losses may make it more difficult for that Financial Guarantor to raise the necessary capital, and the previous use of apparently excess capital to repurchase shares, pay dividends or for other purposes may, in hindsight, have been an error.

3.23 Inability of a Financial Guarantor to Write New Business as a Result of Large Insurance Losses

Large insurance losses, whether related to Covid-19, Puerto Rico in the case of AGM, or otherwise, could increase substantially a Financial Guarantor's leverage ratios, which may prevent it from writing new insurance. This in turn may result in the ratings of that Financial Guarantor being downgraded, which could result in a downgrade of the ratings of the Bonds.

3.24 Financial Guarantors Liquidity

The Financial Guarantors require substantial liquidity to meet their respective payment and/or collateral posting obligations, including under financial guaranty insurance policies or reinsurance agreements. They also require liquidity to pay operating expenses, reinsurance premiums, and dividends. The

Financial Guarantors cannot give any assurance that their liquidity will not be adversely affected by adverse market conditions, changes in insurance regulatory law, insurance claim payments substantially in excess of those projected by them in their stress scenarios (whether related to the Covid-19 pandemic, Puerto Rico in the case of AGM, or otherwise), or changes in general economic conditions. The Financial Guarantors expect their need for liquidity will be met by their operating cash flows; external financings; investment income from their invested assets; and proceeds derived from the sale of their investments, significant portions of which are in the form of cash or short-term investments. The value of their investments may be adversely affected by changes in interest rates, credit risk and capital market conditions that therefore may adversely affect their potential ability to sell investments quickly and the price which they might receive for those investments. Part of AGM's investment strategy is to invest more of its excess capital in alternative investments, which may be particularly difficult to sell at adequate prices, or at all. Lack of liquidity at the Financial Guarantors could adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.25 Changes in or Inability to Comply with Laws and Regulations Applicable to the Financial Guarantors

The Financial Guarantors are subject to detailed insurance and other financial services laws and government regulation in the jurisdictions in which they operate. In addition, regulatory agencies in jurisdictions in which they operate have broad administrative power over many aspects of their business, which may include ethical issues, money laundering, privacy, recordkeeping and marketing and sales practices. Future legislative, regulatory, judicial or other legal changes in the jurisdictions in which they do business, including changes related to the Covid-19 pandemic and governmental and private responses to it, may adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

3.26 Impact of Legislation, Regulation or Litigation Arising Out of the Struggles of Borrowers on the Financial Guarantors

Borrower distress or default, whether or not the relevant obligation is insured by one of the Financial Guarantors, may result in legislation, regulation or litigation that may impact the Financial Guarantors' legal rights as creditor or their investments. For example, the default by the Puerto Rico on much of its debt has resulted in both legislation and litigation that is continuing to impact AGM's rights as creditor, most directly in Puerto Rico but also elsewhere in the U.S. municipal market. In addition, distress resulting from the Covid-19 pandemic and governmental and private responses to it may result in legislation, regulation or litigation that may impact the Financial Guarantors' legal rights as creditor or their investments in ways they cannot now predict. In addition, AGM is, and the Financial Guarantors may be in the future, involved in litigation, both as a defendant and as a plaintiff, in the ordinary course of their business and other business operations. For a discussion of AGM's material litigation, see AGM GAAP Financial Statement, dated September 30, 2020, Note 2, Outstanding Exposure; Note 3, Expected Losses to be Paid (Recovery Litigation); and Note 10, Commitments and Contingencies. The impact of such legislation or regulations and the outcome of such litigation may adversely impact the ability of the Financial Guarantors to meet their obligations under their Bond Financial Guarantees or could result in a downgrade of their ratings, which could result in a downgrade of the ratings of the Bonds.

4 Risks relating to the Bonds and the Market

4.1 Indexation in respect of Bonds

The calculation of principal and interest will be affected by changes in the Index (as defined in Condition 7 (*Indexation*) of the Conditions). Potential investors should be aware that:

- (i) the market price of such Bonds may be volatile;
- (ii) the Index may be subject to significant fluctuations that may not correlate with changes in other indices; and
- (iii) the timing of changes in the Index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Index, the greater the effect on yield.

If the Index Ratio applicable to any payment principal under the Bonds is negative (in conditions of deflation), investors may receive less than the original amount invested.

In addition, there is a risk that there will be a mismatch between indexed amounts payable under the Project Agreement and indexed amounts payable under the Bonds, as the Bonds are subject to indexation twice a year on each Scheduled Payment Date and amounts payable under the Project Agreement are subject to indexation annually using RPI (based on the value of RPI at April 2002).

4.2 Proposed Reform to RPI in 2030 in respect of the Bonds

From 11 March 2020 to 21 August 2020, the UK Statistics Authority (the “**Authority**”) and HM Treasury ran a joint consultation on reforming the methodology of RPI (the “**Consultation**”). The Authority and HM Treasury published a joint response to the Consultation on 25 November 2020, which included a statement that the “*Authority Chair replied to the Chancellor informing him that the Authority would be able to legally and practically implement its proposal to the RPI in February 2030.*” The proposal of the Consultation stated that there are no plans to cease compiling and maintaining RPI, but that following the planned reform in February 2030, the Authority intends to bring the methods and data sources of the Consumer Prices Index including owner occupiers’ housing costs (“**CPIH**”) into RPI. The Proposal states: “*In practice this means that, from the implementation date, the RPI index values will be calculated using the same methods and data sources as are used for the CPIH. Monthly and annual growth rates will then be calculated directly from the new index values.*”

Please see Condition 8 (*Changes in circumstances affecting the Index*) of the section entitled “*Terms and Conditions of the Bonds*” governing the calculation of interest payable on the Bonds following the planned reform to RPI in February 2030. The Bonds will be subject to the amended indexation provisions in the PSLFA in relation to the planned reform of RPI in February 2030. There is a risk that the RPI figure published following the planned reform in February 2030 will be lower than the RPI figure would be if the reform did not take place, due to the change in methods and data sources used to calculate it. There is a risk that the amended indexation provisions in the PSLFA in relation to the planned reform of RPI result in a lower RPI figure and an overall lower interest payment payable to Bondholders. The indexation provisions in the PSLFA will be amended to align with the indexation provisions in the Project Agreement, so that there is no mismatch between the amended indexation provisions in the Project Agreement, PSLFA and the Bonds following the planned reform to RPI.

4.3 Interest Rate Risks

Since the Bonds bear interest at a fixed rate (albeit subject to indexation) investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

4.4 Modification and Waivers may be made without Bondholder Consent

See the section entitled “*Description of the Issuer Finance Documents – The Issuer Security Trust and Intercreditor Deed*” below.

As further disclosed on pages 51 to 64 (inclusive) of this Prospectus, if the Financial Guarantors are the Controlling Creditor, the Financial Guarantors control all Financing Rights of the Secured Creditors under the Issuer Finance Documents, including those of the Bondholders and the Bond Trustee, subject only to clause 12 (*Consent of Controlling Creditor and Entrenched Rights and Reserved Matters of Secured Creditors*) of the Issuer Security Trust and Intercreditor Deed. The Controlling Creditor may, therefore, take decisions which may adversely impact the Bondholders (subject to their Entrenched Rights and Reserved Matters) at its discretion.

4.5 Potential Termination of Bond Financial Guarantees and Loan Financial Guarantees without Bondholder Consent

If the Trust exercises the Instalment Option (as described in the section entitled “*Description of the Project Documents — The Project Agreement*” below), the Loan Financial Guarantees and the Bond Financial Guarantees shall terminate as described below unless the Financial Guarantors elect to not terminate within 10 Business Days of the Trust giving the Financial Guarantors initial notice of their intention to exercise the Instalment Option. If such an election is not made, the Bond Financial Guarantees and the Loan Financial Guarantees will terminate 10 Business Days following Trust notice (or, if earlier, upon notice of termination) at the same time as the Instalment Option is exercised provided that the Financial Guarantors will have been reimbursed for all historic amounts due to them by that date. The Loan Financial Guarantors will be entitled to receive payment of a make-whole amount in respect of the Loan Financial Guarantees by the date falling 10 Business Days following termination of the Bond Financial Guarantees and the Loan Financial Guarantees (and will remain the Controlling Creditor until they have been paid such amounts). In such circumstance, following termination of the Bond Financial Guarantees and the Loan Financial Guarantees, the Bondholders would not have the benefit of either the Bond Financial Guarantees or the Loan Financial Guarantees, and the Bondholders would then be relying only on the Trust’s obligation to pay Senior Debt Ongoing Amounts to the Issuer (which it is obligated to do irrespective of the termination of the Bond Financial Guarantees and the Loan Financial Guarantees).

4.6 The secondary market generally

The Bonds may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell the Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a materially adverse effect on the market value of the Bonds.

4.7 An active trading market for the Bonds may not develop

There can be no assurance that an active trading market for the Bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for the Bonds does not develop or is not maintained, the market or trading price and liquidity of the Bonds may be adversely affected. The Issuer or any of its subsidiaries or holding companies (its “**Affiliates**”) are entitled to issue further Bonds. Such transactions may favourably or adversely affect the price development of the Bonds. If additional and competing products are introduced in the markets, this may adversely affect the value of the Bonds.

4.8 Scope of cover under the Bond Financial Guarantees may not cover all amounts owed to Bondholders

See the sections entitled “*Form of AGUK Bond Financial Guarantee*” and “*Form of AGM Bond Financial Guarantee*” below.

Save as set out below, the coverage provided by the Bond Financial Guarantees is the payment of scheduled payments of principal and interest only in respect of the Bonds, and excludes any amounts due in respect of the Bonds:

- (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason;
- (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge imposed by the laws any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority thereof, (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature with respect to any payment by the Issuer due under the Bonds and/or any gross-up or make whole payment payable by the Issuer in respect of any such taxes, duties, withholding, deduction, assessment or other charge;
- (iii) attributable to any default interest;
- (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Bonds; or
- (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Bond Financial Guarantee) on or prior to a Scheduled Payment Date.

There is, therefore, a risk that not all amounts which are payable to the Bondholders under the Bonds (including those specifically listed above) will be payable pursuant to the Bond Financial Guarantees if the Issuer is unable to pay them.

4.9 Withholding tax

Should the Issuer or the Financial Guarantors be required by law at any time to make any withholding or deduction for or on account of taxes or similar charges from payments made in respect of the Bonds or under the Bond Financial Guarantees respectively, no additional or “grossing-up” payments will be made. See the sections entitled “*Terms and Conditions of the Bonds — Taxation*”, “*Form of AGUK Bond Financial Guarantee*” and “*Form of AGM Bond Financial Guarantee*” below.

4.10 UK Taxation position of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the “**Tax Securitisation Regulations**”), and as such should be taxed only on the amount of its “retained profit” (as that term is defined in the Tax Securitisation Regulations), for so long as it satisfies the conditions of the Tax Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Tax Securitisation Regulations (or subsequently does not), then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction described in this Prospectus and as such adversely affect the tax treatment of the Issuer and consequently the ability of the Issuer to meet its payment obligations under the Bonds.

4.11 Rating of the Bonds

The rating anticipated to be assigned to the Bonds is based on the financial strength rating of the Financial Guarantors and reflects only the views of the Rating Agency.

A rating is not a recommendation to buy, sell or hold securities and will depend, amongst other things, on certain underlying characteristics of the business and financial condition of the Financial Guarantors from time to time.

There is no assurance that any such rating will continue for any period of time or that it will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in, or unavailability of, information or if, in the Rating Agency's judgment, circumstances so warrant. If any rating assigned to the Bonds is lowered or withdrawn, the market price of the Bonds is likely to be reduced and no person or entity will be obliged to provide any additional credit enhancement in respect of the Bonds.

The Financial Guarantors have not covenanted to maintain any rating by the Rating Agency or any other rating agency during the life of the Bonds.

4.12 Priority of Claims

The Issuer Security Trust and Intercreditor Deed provides for an order of priority of payment under which the proceeds of enforcement of the security granted by the Issuer and the security and guarantee granted by Issuer HoldCo are to be applied following enforcement of such security. This is relevant to Bondholders to the extent that an amount due to be paid to the Bondholders is not covered by, or paid under, the Bond Financial Guarantees. See the sections entitled "*Form of AGUK Bond Financial Guarantee*" and "*Form of AGM Bond Financial Guarantee*" below.

Certain claims of the other Secured Creditors will, in accordance with such order of priority, be paid in priority to payment of certain amounts due to the Bondholders. See the section entitled "*Description of the Issuer Finance Documents — The Issuer Security Trust and Intercreditor Deed*" below.

4.13 Mandatory Redemption of the Bonds following a Spens Acceleration Event

Following termination of the Project Agreement, the Trust must pay Compensation on Termination to ProjectCo aimed at ensuring, amongst other things, that ProjectCo can repay the Issuer as lender under the PSLFA, thus enabling the Issuer to redeem the Bonds. Under the Project Agreement, the Trust is entitled to elect to pay the Compensation on Termination in instalments unless the termination event has arisen as a result of a Trust Event of Default or ProjectCo Event of Default. If either the Trust (i) is not entitled to elect to pay by instalments, or it is so entitled but has elected not to do so, or (ii) has elected to pay in instalments but has subsequently defaulted in its payment obligations or ended the instalments regime, then it will be required to pay off the full liabilities outstanding under the Loan, as well as any additional liabilities of the Issuer under the Bonds. See the section entitled "*Risk Factors — Potential Termination of Bond Financial Guarantees and Loan Financial Guarantees without Bondholder Consent*" above.

The Financial Guarantors are not liable to pay any amounts in excess of the Outstanding Principal Amount adjusted for indexation. Payment of the difference between the Compensation on Termination and the Outstanding Principal Amount adjusted for indexation will be paid by the Financial Guarantors on the Scheduled Payment Dates even if the Bonds are redeemed early, unless the Financial Guarantors decide to accelerate such payments. Therefore, if the Compensation on Termination is not sufficient to repay all amounts outstanding to the Secured Creditors, Bondholders are subject to the following risks:

- (i) the Financial Guarantors decide to pay on an accelerated basis; and/or

- (ii) if the Compensation on Termination is not sufficient to pay the aggregate principal amount outstanding on each series of Bonds, adjusted for indexation and all amounts payable in priority thereto in accordance with the Issuer Security Trust and Intercreditor Deed, that they receive part of the payment on an accelerated basis and the balance on each Scheduled Payment Date.

4.14 Limitations on amounts payable by the Trust¹

Under the Project Agreement, the Trust is required to pay spens Compensation On Termination to ProjectCo in amounts sufficient to discharge all present and future liabilities of ProjectCo to the Issuer (in its capacity as lender under the PSLFA) and to the extent of any difference; the liabilities of the Issuer under the Bonds in the event of termination of the Project Agreement for a Trust Event of Default and a ProjectCo Event of Default, and in the event of termination of the Project Agreement for Voluntary Termination. See the section entitled “*Description of the Project Documents — The Project Agreement — Compensation on Termination*” below. However, under the Bonds, the Issuer is obliged to pay spens to Bondholders in those circumstances but also in the event of termination of the Project Agreement for a ProjectCo Event of Default. See Condition 11 (*Events of Default*) of the Bonds. If this occurs, the Issuer is unlikely to be able to meet its obligations to pay the full Default Interest with respect to the Bonds under the Conditions.

4.15 Changes to the risk weighted asset framework

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

Investors in the Bonds are responsible for analysing their own regulatory position and the Issuer does not accept responsibility for the regulatory treatment of their investment in the Bonds. Investors should consult their own advisers as to the regulatory capital requirements in respect of the Bonds and as to the consequences and effect on them of any pending or future regulatory changes. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

4.16 The relationship of the UK with the European Union since the UK’s withdrawal from the European Union may affect the ability of the Issuer to satisfy its obligations under the Bonds and/or the market value and/or liquidity of the Bonds in the secondary market

On June 23, 2016, the UK held a referendum (the “**UK EU Referendum**”) on its membership of the European Union, in which a majority voted for the UK to leave the European Union (“**Brexit**”).

On 31 January 2020, the United Kingdom ceased to be a member of the European Union and the EEA. By virtue of the EUWA, EU law and EU-derived domestic legislation continued to apply to and in the UK during a transition period lasting until 31 December 2020. During the transition period, the UK continued to be treated as a member state under EU law unless otherwise specified. On 24 December 2020, an agreement in principle was reached in relation to the EU-UK Trade and Cooperation Agreement (the “**Trade and Cooperation Agreement**”), to govern the future relations between the EU and UK following the end of the transition period. The Trade and Cooperation Agreement has provisional

application from 1 January 2021 until 30 April 2021 to allow the European Parliament to give its consent and to allow time for all versions of the agreement in different EU languages to be established as authentic and definitive.

The continuing effects of the UK's departure from the European Union are difficult to predict and there remains both short-term and long-term political and economic uncertainty around the departure that may have a negative impact on the UK economy, affecting its growth. Weaker growth would have implications for the National Health Service (the "NHS") funding, along with the rest of the public sector. In addition, migrants from the European Union make up a significant proportion of NHS staff. Given the UK's reliance on recruiting staff from overseas, the restriction of immigrants from the European Union in respect of Brexit could exacerbate staffing issues in the NHS. Concerns have also been raised about the loss of research funding from the European Union on health and social care in the UK. Each of these pressures on the NHS with regards to funding, staffing and research could reduce the attractiveness of the Project to investors, which could negatively impact the completion and operation of the Project and its profitability.

No assurance can be given that any of the matters outlined above would not adversely affect the success of the Project and consequently, the ability of ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

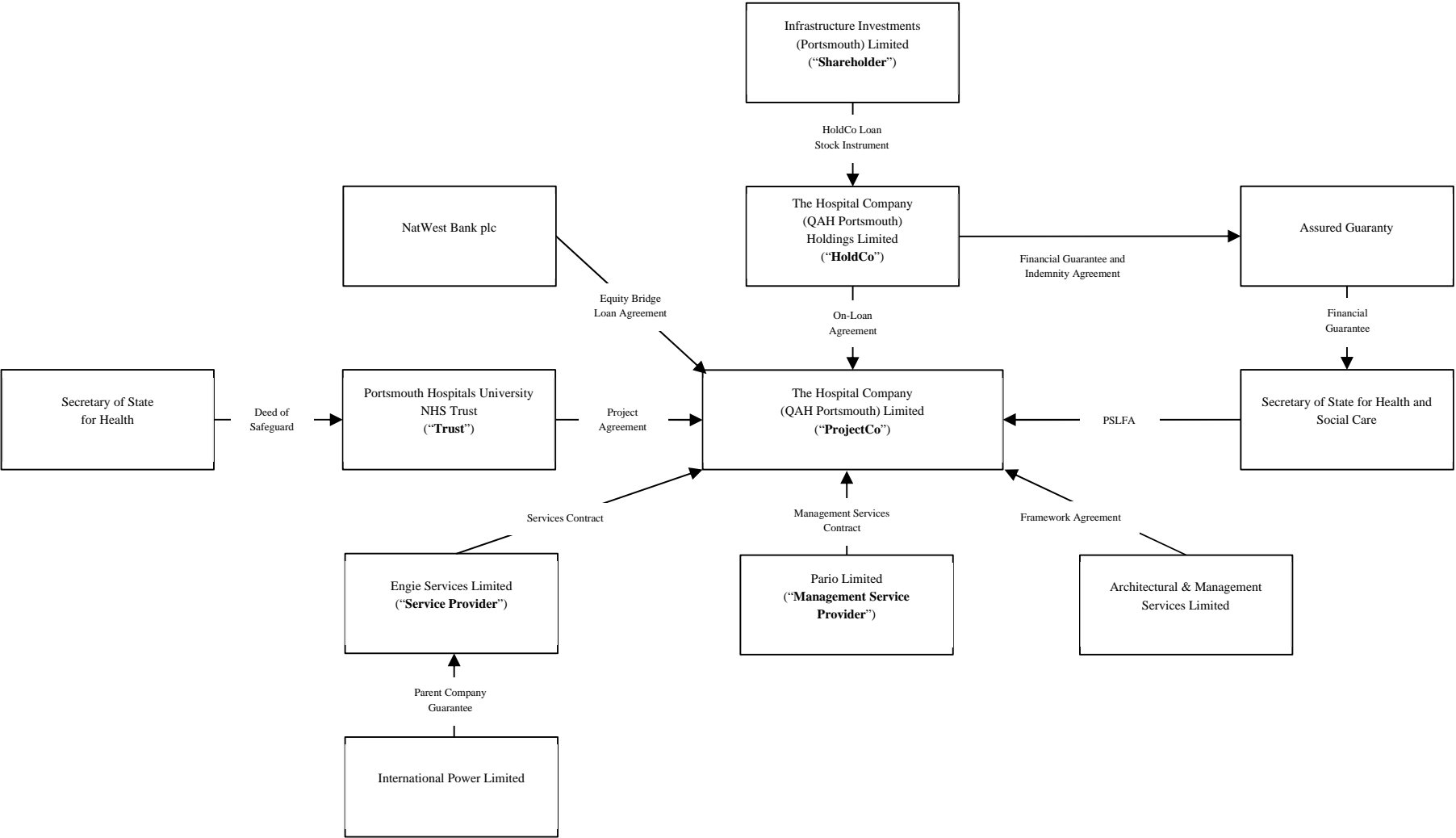
4.17 Liability of the Bond Trustee and the Security Trustee

None of the Bond Trustee or the Security Trustee will be responsible for (i) monitoring or supervising the performance by the Issuer or any other party to the transaction documents of their respective functions and obligations under the transaction documents or the operation of any account opened pursuant to the transaction documents and each of the Bond Trustee and the Security Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; or (ii) considering the basis on which approvals or consents are granted by the Issuer, the Controlling Creditor or any other party to the transaction documents under the transaction documents. None of the Bond Trustee the Security Trustee will be liable to any Bondholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the secured assets and has no responsibility in relation to the legality, validity, value, sufficiency and enforceability of the transaction security and the Issuer Finance Documents.

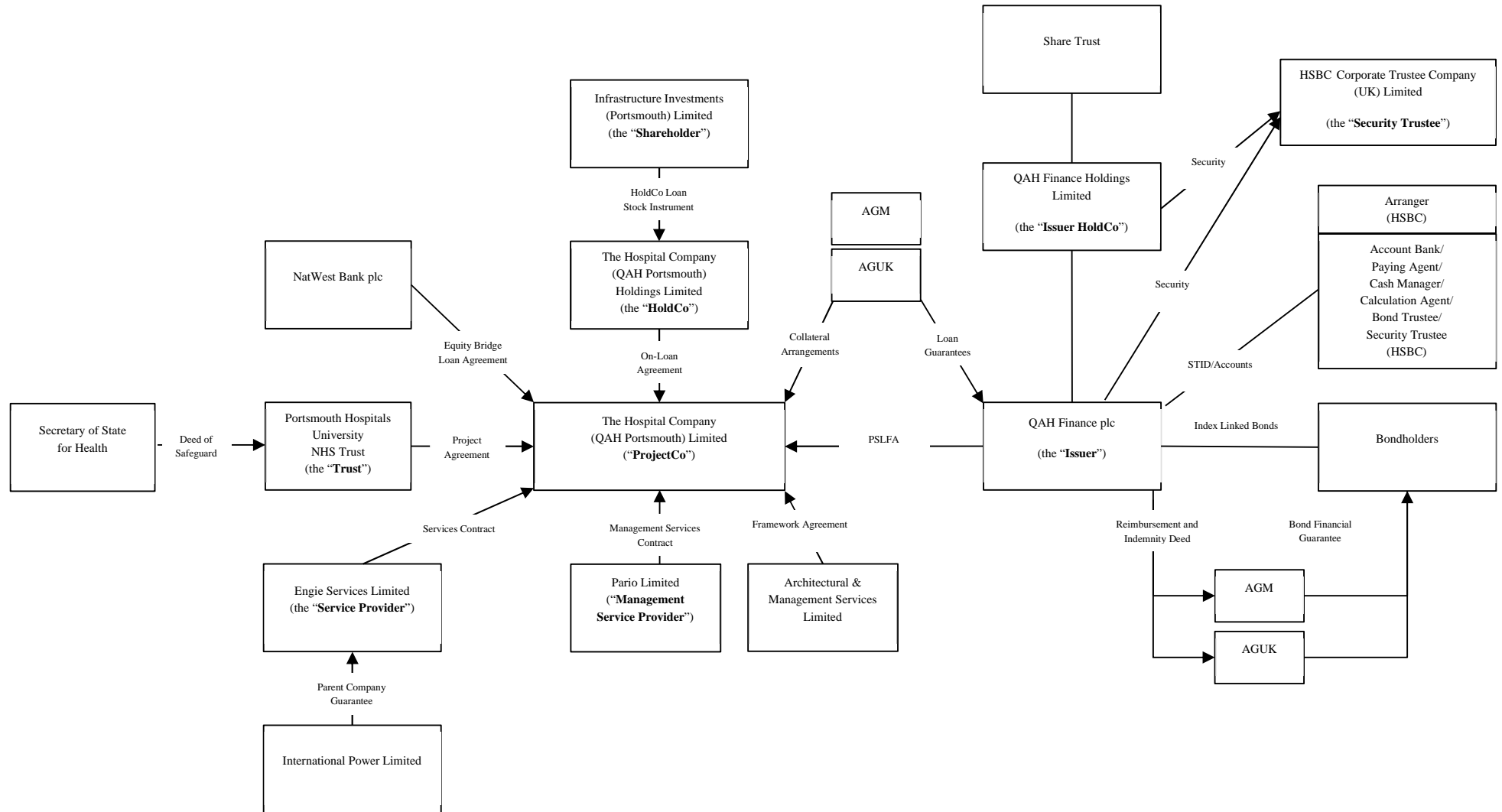
Unless the Security Trustee is satisfied that it will not incur any liability (whether environmental or otherwise) arising from it enforcing the security, or that it is prefunded and/or indemnified and/or secured to its satisfaction in respect of any such liability, it will not be obliged to enforce the security when required to do so by the Controlling Creditor.

PROJECT DESCRIPTION

The diagram below shows the corporate structure and the principal Loan Finance Documents (as defined below) and Project Documents prior to the Issue Date.



The diagram below shows the corporate structure and the principal Loan Finance Documents (as defined below), Project Documents and Issuer Finance Documents on and after Issue Date.



The following is a summary of the Project. It should be read in conjunction with the rest of this Prospectus.

Background

ProjectCo entered into the Project Agreement with the Trust pursuant to which ProjectCo agreed to finance, design, construct, and provide certain services in connection with the redevelopment of the Queen Alexandra Hospital in Cosham. The term of the Project is 35 years after financial close (15 December 2005), and as of the date of this Prospectus, there are 19 years remaining. The Project was entered into pursuant to the then UK Government's private finance initiative ("**PFI**"). The Project is rated Baa1/BBB by Moody's Investors Services, Inc.

Under the Project Agreement, the Trust grants ProjectCo a licence for access to the Site for the purposes of carrying out ProjectCo's obligations under the Project Agreement.

ProjectCo entered into a design and construct sub-contract (the "**Construction Contract**") with Carillion Construction Limited under which Carillion Construction Limited agreed to carry out the construction works required of ProjectCo under the Project Agreement. The Project is fully operational having successfully completed construction in June 2010 (Phase 1 completion certificated as having occurred on 16 August 2007, Phase 2 completion certified as having occurred on 19 June 2009, and Phase 3 completion certificated as having occurred on 24 June 2010).

The Trust is responsible for providing clinical services (the "**Clinical Services**") at the Site. However, ProjectCo is responsible for procuring the provision of certain non-clinical support services (the "**Services**"), pursuant to a services contract entered into between ProjectCo and Engie Services Limited (the "**Service Provider**") (the "**Services Contract**"). The Services Contract was entered into on 31 January 2019.

ProjectCo has entered into a management services contract dated 19 March 2021 (as amended by a variation letter dated 19 March 2021) with Pario Limited and ProjectHoldCo to provide certain services including but not limited to project management of ProjectCo's and ProjectHoldCo's sub-contractors, secretarial work, financial information services, management of life cycle and maintenance works and insurance services (the "**Management Services Contract**", and together with the Services Contract, the "**Services Agreements**").

ProjectCo has also entered into a framework agreement dated 4 May 2020 with Architectural & Management Services Limited ("**AMS**") to perform certain remedy works on defects on a "when needed" basis (the "**Framework Agreement**").

In addition, the Trust, the Facility Security Trustee (as defined below) and ProjectCo entered into a direct agreement (the "**Funders Direct Agreement**") relating, *inter alia*, to rights of step-in and step-out of the Project Agreement in default situations which might otherwise cause termination of the Project Agreement.

At the same time as the Services Contract was executed, the Service Provider entered into a direct agreement with ProjectCo and the Facility Security Trustee (the "**Service Provider's Direct Agreement**"). The Service Provider's Direct Agreement, *inter alia*, acknowledges funders' security over the Services Contract and provide for funder step-in rights under the Services Contract.

The obligations of the Service Provider under the Services Contract and the Service Provider's Direct Agreement is supported by a parent company guarantee entered into on the same date as the Services Contract (the "**Service Provider Guarantee**"). The parent company guarantor is, as at the date of this Prospectus, International Power Ltd. (the "**Service Provider Guarantor**").

The Trust makes regular monthly payments (the "**Service Payment**") to ProjectCo. Performance of ProjectCo's service obligations is subject to monitoring under a detailed performance measurement regime. The Service Payment is subject to deductions for service failures and unavailability in accordance with the payment

mechanism. ProjectCo's exposure to deductions is managed by passing these down to the Service Provider. The Service Payment is subject to indexation in line with RPI.

Structuring

The contractual arrangements for the Project are structured to minimise the Project risks which are retained by ProjectCo. Risks are generally either borne by the Trust under the Project Agreement or, if assumed by ProjectCo under the Project Agreement, passed on to the insurers of the Project (the "**Insurers**") or to the Service Provider. Certain limited risks are borne by ProjectCo and are not passed on to the Service Provider and/or the Management Service Provider (together referred to as the "**Services Contractors**") or the Insurers. In addition, to the extent that the Services Contractors or the Insurers fail to meet their obligations in respect of the risks under the "**Project Documents**" (as defined in the Project Agreement and includes, *inter alia*, the Services Contract) that have been passed on to them by ProjectCo, or if claims by ProjectCo exceed agreed limits on liability, ProjectCo will bear these risks.

The liability of the Service Provider is capped (other than certain categories of liability which are expressly stated to be outside the cap) and the obligations of the Service Provider are supported by a parent company guarantee provided by the Service Provider Guarantor.

Performance and Service Payment Deductions

The Service Payment comprises the only source of revenue enabling ProjectCo to meet its obligations under the PSLFA to the Issuer and the Issuer to meet its obligations under the Bonds.

The Service Payment is subject to deductions for poor performance or non-performance of the Services, where the Facilities (as defined in the Project Agreement and includes the hospital facilities) or a part (or parts) of them are unavailable, or where there is a Quality Failure Event, in each case as defined and measured under the Project Agreement. See the section entitled "*Description of the Project Documents — Payment Mechanism*" below. The circumstances in which deductions from the Service Payment may be made include non-performance of the Services and unavailability of part of the Facilities (as defined in the section entitled "*Description of the Project Documents – The Project Agreement – The Facilities*" below).

Where any poor performance or non-performance of the Services or unavailability of any part of the Facilities, occurs as a result of a specified list of causes outside ProjectCo's control (the "**Excusing Causes**"), no deductions are made from the Service Payment.

Deductions from the Service Payment will in most cases be recovered by ProjectCo from a Services Contractor (if the deductions result from the that Services Contractor's default or from a risk allocated to that Services Contractor) and in other cases from business interruption insurance. In limited cases, ProjectCo may suffer deductions from the Service Payment for which it will not have recourse against a Services Contractor or Insurer. These cases include certain Relief Events and Excusing Causes.

EXISTING FINANCING OF THE PROJECT

The following is a summary of the financing of the Project in existence prior to the amendment and/or reinstatement of certain Loan Finance Documents (as defined below) (unless stated otherwise). The summary of the documents do not purport to be complete and is subject to the detailed provisions of the relevant documents. The summaries of the documents are based on the form of documents entered into on or around 15 December 2005 (unless stated otherwise).

1 General

The Project was originally financed by:

- (a) the PSLFA;
- (b) a loan financial guarantee;
- (c) income earned and interest accrued on authorised investments made in accordance with the account agreement dated 15 December 2005 made between (1) ProjectCo as borrower, (2) ProjectHoldco as the holding company of ProjectCo, (3) The Law Debenture Trust Corporation PLC as security trustee (as amended from time to time); and (4) AGUK as credit provider (the “**Accounts Agreement**”);
- (d) an equity bridge loan agreement provided by The Royal Bank of Scotland PLC (now NatWest Bank plc) to ProjectCo as borrower dated 15 December 2005;
- (e) the ProjectHoldCo Loan Stock subscribed for by the Stockholders pursuant to the Shareholders Support Agreement and the original On Loan Agreement between ProjectCo and ProjectHoldCo; and
- (f) the paid up share capital of ProjectCo consisting of 50,000 ordinary shares of £1 each owned by ProjectHoldCo.

2 The PSLFA and Loan Financial Guarantees

PSLFA

ProjectCo entered into the PSLFA with the Public Sector Finance Provider (as defined in the section entitled “*Existing Financing of the Project – The Original Security Arrangements – Definitions*” below) for the provision of certain facilities, including

- (i) a term loan facility; and
- (ii) a standby loan facility.

The Public Sector Loan Facilities Agreement will be amended and restated between the Issuer, ProjectCo, ProjectHoldco, the Secretary of State for Health and Social Care as the original facility agent and original public sector finance provider, and HSBC Bank plc as the new facility agent (the “**Amended PSLFA**”). The Amended PSLFA will allow for payments by the Trust to the Issuer (pursuant to the exercise of the Instalment Option (as described below)) which will be deemed to have been made by ProjectCo to the Issuer. The Amended PSLFA will require ProjectCo to prepay all outstanding liabilities under the Facilities (as defined in the section entitled “*Description of the Project Documents – The Project Agreement – The Facilities*” below) and any additional amounts required to pay the Issuer’s liabilities under the Bonds in case of a mandatory prepayment event or a voluntary prepayment by ProjectCo unless the Instalment Option has been exercised by the Trust (where available).

The Amended PSLFA will also provide that in the event of ProjectCo Event of Default, where the termination compensation does not take account of the Base Senior Debt Amount (as defined in the section entitled

“Description of the Project Documents – The Project Agreement – Compensation on Termination – Compensation in the event of termination for Trust Event of Default, Trust Voluntary Termination and No Reinstatement by the Trust” below), the amount received from the Trust will be applied towards the repayment of only the outstanding liabilities under the Loan (including any accrued and unpaid interest and any other outstanding fees or amounts payable in respect of the Loan (the **“Loan Liabilities”**)). The Issuer will be liable to pay, subject to the limited recourse and non-petition provisions of the Issuer Finance Documents, any shortfall between the compensation and the Issuer’s liabilities under the Bonds. The amount received by the Issuer from ProjectCo under the PSLFA will be applied in accordance with the order of priority set out in the Issuer Security Trust and Intercreditor Deed as described in the section entitled *“Risk Factors – Risks relating to the Bonds and the Market – Priority of Claims”* above. A claim will be made under the Bond Financial Guarantees for any shortfall between the additional amounts required to pay the Issuer’s liabilities under the Bonds and the total termination compensation received from the Trust.

Under the Amended PSLFA, ProjectCo will cover the amount of any **“Ongoing Costs”** required to be paid by the Issuer under the Amended PSLFA. Ongoing Costs are expected to include, without limitation, costs incurred in respect of the new facility agent and the Account Bank in connection with the Loan Finance Documents, as well as rating agency costs incurred in respect of the ratings of the Bonds.

Loan Financial Guarantees

At financial close the existing AGUK financial guarantee in respect of the Loan will be terminated and AGM and AGUK will issue new financial guarantees in respect of the Loan as a condition precedent to the amendments being made the PSLFA. The Issuer will be the beneficiary of the Loan Financial Guarantees.

Financial Security Assurance (UK) Limited (now AGUK) entered into the Loan Financial Guarantee pursuant to a financial guarantee and indemnity agreement dated 15 December 2005 (the **“Loan Financial Guarantee and Indemnity Agreement”**) as a condition precedent to the Secretary of State for Health and Social Care providing the funding under the PSLFA. A new reimbursement and indemnity deed will be entered into by the Issuer with the Financial Guarantors at the time the new Loan Financial Guarantees are issued.

Under the Loan Financial Guarantees, each of AGM and AGUK unconditionally and irrevocably guarantees in favour of the Issuer as lender under the PSLFA, amounts unpaid by ProjectCo in respect of scheduled payments of principal and interest, excluding any amounts due in respect of the Loans (i) attributable to any increase in interest margin, penalty or other sum payable by ProjectCo for whatever reason; (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof; (iii) attributable to any default interest; (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Loans; or (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the Loan Financial Guarantees) on or prior to a Scheduled Payment Date.

3 Instalment Option

If the Trust exercises the Instalment Option (as described in the section entitled *“Description of the Project Documents – The Project Agreement”* below), the Financial Guarantors will have the right to elect to terminate the Bond Financial Guarantees and the Loan Financial Guarantees. If this occurs, the Bondholders will only be able to rely on payments made by Trust to the Issuer in respect of the Senior Debt Ongoing Amounts (which the Trust is obliged to do irrespective of the Financial Guarantors’ election to terminate the Bond Financial Guarantees and the Loan Financial Guarantees).

4 Other Original Finance Documents

Accounts Agreement

ProjectCo entered into the Accounts Agreement which regulated payments into and out of each of ProjectCo's accounts and ProjectHoldCo's distribution account. The Accounts Agreement was intended, *inter alia*, to ensure the payment of the relevant debt service accounts and the prevention of certain prohibited payments.

Sums standing to the credit of certain of the accounts were permitted to be invested (subject to certain restrictions as to maturity) in certain authorised investments approved in accordance with the provisions of the Accounts Agreement.

The Accounts Agreement will be amended to allow for cash standing to the credit of ProjectCo's accounts to be transferred to the Trust's account upon the exercise of the Instalment Option.

Deed of Safeguard

The Secretary of State for Health and Social Care entered into a deed of safeguard dated 15 December 2005 (the "**Deed of Safeguard**") with ProjectCo, the Trust and the Facility Security Trustee (as defined in the section entitled "*Existing Financing of the Project – The Original Security Arrangements – Definitions*" below) pursuant to the terms of which the Secretary of State for Health and Social Care agreed to be liable to ProjectCo and the Facility Security Trustee for certain collateral obligations of the Trust, being all obligations and liabilities of the Trust to make any payment under of pursuant to the safeguard documents (as further defined therein and including the Project Agreement and Funders Direct Agreement) (each as defined below).

Letter of Awareness

The Secretary of State for Health and Social Care issued a letter of awareness dated 15 December 2005 to, *inter alios*, ProjectCo, ProjectHoldCo, (AGUK and The Royal Bank of Scotland PLC (now NatWest Bank plc) in order to clarify the manner in which the Secretary of State for Health and Social Care may exercise certain of its rights in relation to the Project and the project and finance documents given that the Secretary of State for Health and Social Care may have wider public sector interests in the Project other than under the Loan Finance Documents and the Project Documents.

5 The Original Security Arrangements

Original Security from ProjectCo

ProjectCo granted fixed and/or floating charges in favour of the Facility Security Trustee over all its assets pursuant to a debenture granted in favour of the Facility Security Trustee dated 15 December 2005 (the "**Original ProjectCo Debenture**"), as security for the obligations of ProjectCo under the Original Senior Finance Documents.

Original Security from ProjectHoldCo

ProjectHoldCo granted fixed and/or floating charges in favour of the Facility Security Trustee over all its assets pursuant to a debenture granted in favour of the Security Trustee dated 15 December 2005 (the "**Original ProjectHoldCo Debenture**"), as security for the obligations of ProjectCo and ProjectHoldCo under the Original Senior Finance Documents.

Original Loan Security Trust and Intercreditor Deed

The original security trust and intercreditor deed dated 15 December 2005 between, *inter alios*, (1) ProjectCo as borrower, (2) ProjectHoldCo as the holding company of ProjectCo, (3) Financial Security Assurance (UK) Limited (now AGUK) in its capacities as credit provider, (4) The Royal Bank of Scotland PLC (now NatWest Bank plc) as equity bridge provider and hedging counterparty, (5) The Law Debenture Corporation PLC as

security trustee and (6) the Original Junior Creditors and (7) the Public Sector Finance Provider and Public Sector Loan Facilities Agent (the “**Original Loan Security Trust and Intercreditor Deed**” and, together with the Original ProjectCo Debenture and the Original ProjectHoldCo Debenture, the “**Existing Security**”) sets out the intercreditor relationship between the Original Senior Creditors and Original Junior Creditors. The Original Loan Security Trust and Intercreditor Deed regulated, *inter alia*, the ranking of debt and security and the rights of parties in the case of default on certain obligations and provided that, *inter alia*, the Original Subordinated Creditors would be subordinated to the Original Senior Creditors in the circumstances set out therein.

The Original Loan Security Trust and Intercreditor Deed will be amended and restated between ProjectCo, ProjectHoldCo, AGUK and AGM, The Law Debenture Corporation PLC and the Trust (the “**Amended STID**”). The Amended STID includes an acknowledgement by each party that upon the exercise of the Instalment Option, shares in ProjectCo, cash (including amounts standing to the credit of ProjectCo’s accounts save for amounts standing to the credit of the debt service reserve account), assets and rights shall be transferred to the Trust in accordance with the Funders Direct Agreement.

Definitions

“Facility Security Trustee” means The Law Debenture Corporation PLC;

“Loan Finance Documents” has the meaning given to “Finance Documents” in the PSLFA and includes, *inter alia*, the Loan Financial Guarantees, the PSLFA, the ProjectCo Reimbursement and Indemnity Deed, the Accounts Agreement, the Master Definitions Schedule, the Service Provider’s Direct Agreement, the Shareholders’ Support Agreement, the Collateral Deed and the Loan Security Documents;

“Loan Security Documents” has the meaning given to it in the Master Definitions Schedule and includes, *inter alia*, the Original ProjectCo Debenture, the Original ProjectHoldCo Debenture, the Shareholders’ Support Agreement, the Amended STID and the Service Provider’s Direct Agreement;

“Master Definitions Schedule” means the Original Master Definitions Schedule, as amended on 22 April 2021, initialled and confirmed by email for the purpose of identification by Linklaters LLP, CMS Cameron McKenna Nabarro Olswang LLP and Osborne Clarke LLP;

“Original Finance Documents” means the Original Senior Finance Documents and the Original Junior Finance Documents;

“Original Junior Creditors” means ProjectHoldCo;

“Original Junior Finance Documents” has the meaning given to Junior Finance Documents in the Original Master Definitions Schedule and includes, *inter alia*, the Original OnLoan Agreement, the ProjectHoldCo Loan Stock Instrument and the ProjectHoldCo Loan Stock and the Security Documents (as defined in the Original Master Definitions Schedule);

“Original Master Definitions Schedule” means the master definitions schedule dated 15 December 2005 and entered into by, or on behalf of, *inter alia*, ProjectCo, the Facility Security Trustee and the Credit Provider (as defined in the Original Loan Security Trust and Intercreditor Deed);

“Original OnLoan Agreement” means the loan agreement dated 15 December 2005 between ProjectHoldCo and ProjectCo;

“Original Senior Creditors” means the Hedging Counterparties (as defined in the Original Loan Security Trust and Intercreditor Deed), the Public Sector Finance Provider, the Public Sector Loan Facilities Agent, the Facility Security Trustee and the Credit Provider (as defined in the Original Loan Security Trust and Intercreditor Deed);

“Original Senior Finance Documents” has the meaning given to Senior Finance Documents in the Original Master Definitions Schedule and includes, *inter alios*, the Public Sector Loan Facilities Agreement, the Loan

Financial Guarantees, the ProjectCo Reimbursement and Indemnity Deed, the Accounts Agreement and the Security Documents (as defined in the Original Master Definitions Schedule);

“Public Sector Finance Provider” means the Secretary of State for Health and Social Care;

“Public Sector Loan Facilities Agent” means the Secretary of State for Health and Social Care; and

“Senior Creditors” means the Issuer, the Financial Guarantors, the Facility Security Trustee and any person who accedes to the Amended STID.

6 Original Equity Funding

Original Equity Bridge Loan Agreement and Shareholders Support Agreement

Pursuant to an original equity bridge loan agreement dated 15 December 2005 between ProjectCo and The Royal Bank of Scotland PLC (now NatWest Bank plc) (the “**Original Equity Bridge Loan Agreement**”), The Royal Bank of Scotland PLC agreed to provide a sterling term loan facility to ProjectCo on the terms of, and on the dates specified, in the Original Equity Bridge Loan Agreement. The Original Equity Bridge Loan Agreement was fully repaid in 2010 and there are no outstanding obligations on ProjectCo or the current shareholders thereunder.

Pursuant to a shareholders support agreement dated 15 December 2005 issued in favour of the Facility Security Trustee (the “**Shareholders Support Agreement**”), the Initial Shareholders had the obligation to subscribe and pay for ProjectHoldCo Shares and ProjectHoldCo Loan Stock. All obligations of the shareholders under the Shareholders Support Agreement have been discharged.

Repayment of equity contributions under the Original OnLoan Agreement and the ProjectHoldCo Loan Stock is made biannually (every 31 March and 30 September) from 30 September 2011 to 30 September 2039, in increasing amounts and funded by revenue received by ProjectCo from the Trust under the Project Agreement, but this is subordinated to payments to be made under the Amended STID to the Senior Creditors.

See the section entitled “*Description of the Shareholder*” below.

Definitions

“Initial Shareholders” means the person(s) who subscribed for ProjectHoldCo Shares being, as at 15 December 2005, Carillion Private Finance Limited and Royal Bank Project Investments Limited;

“ProjectHoldCo Loan Stock” means the loan stock issued by ProjectHoldCo and subscribed for by the Stockholders pursuant to the ProjectHoldCo Loan Stock Instrument and the Shareholders Support Agreement;

“ProjectHoldCo Loan Stock Instrument” means the instrument dated 15 December 2005 constituting the ProjectHoldCo Loan Stock;

“ProjectHoldCo Shares” means ordinary shares of £1.00 each in the capital of ProjectHoldCo; and

“Stockholders” means the persons subscribing (or to subscribe) for ProjectHoldCo Loan Stock, being, as at the Amendment Date, Infrastructure Investments (Portsmouth) Limited and Infrastructure Investments General Partner Limited.

7 Reserve Accounts

The following reserve accounts are held in accordance with the Original Finance Documents:

- (a) a senior debt service reserve account (the “**Original Senior Debt Service Reserve Account**”);
- (b) a life cycle reserve account (the “**Life Cycle Reserve Account**”);

- (c) a change of law reserve account (the “**Change of Law Reserve Account**”); and
- (d) a tax reserve account (the “**Original Tax Reserve Account**”).

DESCRIPTION OF THE ISSUER FINANCE DOCUMENTS

The following is a summary of the terms of the Issuer Finance Documents and should be read in conjunction with the rest of this Prospectus. This summary is not exhaustive but focuses on issues of particular interest to prospective Bondholders. The description of the documents do not purport to be complete and is subject to the detailed provisions of the relevant documents. All defined terms used in this section and not otherwise defined in this Prospectus are defined in paragraph 3.11 (Definitions) or paragraph 6.6 (Definitions) below.

As no Fixed Rate Bonds are being issued and no RPI Swap Agreements are being entered into, investors should note that the Issuer Finance Documents described below are all subject to overriding provisions in the Issuer Security Trust and Intercreditor Deed stating that if no Fixed Rate Bonds are being issued under the Final Prospectus, all provisions relating to the Fixed Rate Bonds and RPI Swaps are to be disregarded and will not be effective, as follows:

As no Fixed Rate Bonds are being issued and no RPI Swap Agreements are being entered into, notwithstanding anything to the contrary in each Issuer Finance Document and Loan Finance Document:

- 1.1.1 **References to “Credit Support Accounts”, “Credit Support Annex”, “Downgraded RPI Swap Provider”, “Fixed Rate Bonds”, “Fixed Rate Bond Conditions”, “RPI Swap Agreement”, “RPI Swap Costs”, “RPI Swap Guarantee”, “RPI Swap Payment Date”, “RPI Swap Payment Default”, “RPI Swap Provider”, “RPI Swap Provider Entrenched Rights”, “RPI Swap Provider Default”, “RPI Swap Provider Liabilities”, “RPI Swap Provider Reserved Matters”, “RPI Swap Termination Payment”, “Securities Collateral Accounts”, “Securities Collateral Account Notice” and singular and/or plural iterations or other derivations of such references (together, the “Fixed Rate Bonds References”), shall be disregarded, shall not be effective and shall not form part of the rights and obligations of the parties to the Issuer Finance Documents and Loan Finance Documents;**
- 1.1.2 **Operative provisions in the Issuer Finance Documents and Loan Finance Documents relating to the Fixed Rate Bonds References shall not be effective and shall be null and void; and**
- 1.1.3 **For the avoidance of doubt, the RPI Swap Providers and holders of the Fixed Rate Bonds, without limitation:**
 - (i) **shall not be Creditors or Secured Creditors;**
 - (ii) **shall not have any Exposure;**
 - (iii) **shall not have any Entrenched Rights or Reserved Matters; and**
 - (iv) **shall not have rights to any payment of monies under any of the Issuer Finance Documents and/or Loan Finance Documents, including the Priorities of Payments; and**
- 1.1.4 **regarding the conditions precedent in Schedule 6 (*Conditions Precedent*) of the Issuer Security Trust and Intercreditor Deed, the provisions of paragraphs 1.1.1 to 1.1.3 above shall apply, and, without limitation:**
 - (i) **references to the “Bonds” shall be construed as a reference to the “Index-Linked Bonds”;**
 - (ii) **references to the fees and expenses payable to the RPI Swap Provider(s) shall be disregarded and shall be null and void; and**

- (iii) **references to the Issuer Accounts being opened shall not include any Credit Support Accounts.**

1 General

The Secretary of State for Health and Social Care's indebtedness in respect of the PSLFA will be refinanced by way of the proceeds of the issue of the Bonds by the Issuer, the proceeds of which will be paid by the Issuer to the Secretary of State for Health and Social Care pursuant to the amendment and restatement agreement (the "**PSLFA Amendment and Restatement Agreement**") relating to the Amended PSLFA, respectively).

The Bonds will be initially subscribed for by HSBC Bank plc in its capacity as Manager. The Bonds (excluding those Bonds held by or on behalf of the Issuer or Issuer HoldCo or any of their Affiliates) will have the benefit of the Bond Financial Guarantees. Under each of the Bond Financial Guarantees, AGUK or AGM, as the case may be, unconditionally and irrevocably guarantees in favour of the Bond Trustee, amounts unpaid by the Issuer in respect of scheduled payments of principal and interest (in each case adjusted for indexation in respect of the Index-Linked Bonds, but in respect of all Bonds excluding in each case any amounts due in respect of the Bonds (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason; (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof; (iii) attributable to any default interest; (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, spens, any make-whole amount or similar types of payments payable in respect of the Bonds; or (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Bond Financial Guarantee) on or prior to a Scheduled Payment Date. Any Bonds held by or on behalf of the Issuer or any Affiliate of the Issuer will not have the benefit of the Bond Financial Guarantees.

The Issuer will pay or procure to be paid to:

- (a) the Financial Guarantors that portion of the financial guarantee fee which is payable in accordance with the Bond Financial Guarantee Fee Letters in consideration for the issuance of the Bond Financial Guarantees;
- (b) the Bond Trustee for its services as Bond Trustee remuneration upon such terms as agreed with the Issuer;
- (c) the Security Trustee, for its services as Security Trustee, fees and remuneration and upon such terms as may from time to time be agreed between the Issuer and/or AGUK and/or AGM and the Security Trustee under the relevant Issuer Finance Documents;
- (d) the Principal Paying Agent and the Calculation Agent for their services under the Paying Agency Agreement, fees in such amounts and upon such terms as agreed by the Issuer;
- (e) the Manager, an underwriting commission on the Issue Date; and
- (f) the Manager, all fees, costs and expenses payable in connection with the listing and structuring of the Bonds on the Issue Date upon such terms as agreed by the Issuer.

The Issuer will also pay to each of the Bond Trustee, Security Trustee, the Principal Paying Agent, the Calculation Agent, the Manager and the Financial Guarantors their fees, costs, charges, liabilities and expenses in connection with the issue of the Bonds, upon such terms as agreed by the Issuer. Other amounts (including

indemnity amounts) are also payable to each of the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Calculation Agent under the Issuer Finance Documents.

2 The Issuer Reimbursement and Indemnity Deed

The Issuer and the Financial Guarantors have entered into a reimbursement and indemnity deed dated on or around the Issue Date, as amended and restated from time to time in accordance with the Issuer Finance Documents (the “**Issuer Reimbursement and Indemnity Deed**”) pursuant to which the Issuer will be obliged to reimburse the Financial Guarantors, in respect of payments made under the relevant Bond Financial Guarantee pursuant to the Issuer Reimbursement and Indemnity Deed. In addition, the Financial Guarantors will be subrogated to the rights of the Bondholders and the Bond Trustee, in respect of any payments made by it under the relevant Bond Financial Guarantee.

3 The Issuer Security Trust and Intercreditor Deed

The Secured Creditors will also have the benefit of the security arrangements summarised below regarding the “Issuer Security Trust and Intercreditor Deed”, “Issuer Debenture” and “Issuer HoldCo Debenture”. The ability of the Bond Trustee and/or the Security Trustee to exercise rights in respect of such security arrangements will be restricted by the Issuer Security Trust and Intercreditor Deed and the Bondholders will not have any independent entitlement to exercise such rights.

3.1 General

The following is a summary of certain provisions of the Issuer Security Trust and Intercreditor Deed. It is not exhaustive and is subject to the detailed provisions of the Issuer Security Trust and Intercreditor Deed. Copies of the Issuer Security Trust and Intercreditor Deed are available for inspection by Bondholders during normal business hours at the specified offices (as set out below) of the Principal Paying Agent.

The Issuer, Issuer HoldCo, the Security Trustee, the Bond Trustee, the RPI Swap Provider, and the Financial Guarantors have entered into the Issuer Security Trust and Intercreditor Deed dated on or around the Issue Date which will set out the relationship of the Secured Creditors. The Issuer Security Trust and Intercreditor Deed will regulate, *inter alia*, the ranking of debt and security and the rights of parties in the case of default on certain obligations.

3.2 Controlling Creditor and Financing Rights

Each of the Secured Creditors will appoint the Security Trustee to act as trustee in connection with the Charged Property and the Issuer Security Trust and Intercreditor Deed. In such capacity, the Security Trustee will agree in the Issuer Security Trust and Intercreditor Deed that it will, subject to being prefunded and/or indemnified and/or secured to its satisfaction, exercise any right which it may have in respect of the Financing Rights (subject to the operation of certain entrenched rights and reserved matters, i.e. rights which cannot be exercised without the consent of the person having reserved to them such entrenched rights and reserved matters and the other express provisions of the Issuer Security Trust and Intercreditor Deed) as directed by the Controlling Creditor.

When exercising the Financing Rights in accordance with the instructions of the Controlling Creditor, the Security Trustee is not required to have regard to the interests of any Secured Creditor or other persons in relation to the exercise of such rights and has no liability to any Secured Creditor or other persons as a consequence of so exercising such rights. The Security Trustee shall be entitled (and bound) to assume that the exercise of any Financing Right does not involve the exercise of Reserved Matters or Entrenched Rights of which the relevant Secured Creditor does not approve.

3.3 Events of Default and Enforcement

The Issuer Security Trust and Intercreditor Deed provides that if an Event of Default has occurred and is continuing, the Controlling Creditor may take any or all of the following actions (any such action constituting an “**Enforcement**”):

- 3.3.1 instruct the Security Trustee to take all steps necessary to enforce the Security granted by the Issuer to the Security Trustee and/or to exercise all or any other rights granted to the Security Trustee pursuant to the Issuer Finance Documents and which the Security Trustee is entitled to exercise on the occurrence and continuance of an Event of Default, in each case in accordance with the terms of the Issuer Security Trust and Intercreditor Deed and provided that the Security Trustee shall not have any obligation in relation to such instruction or exercise unless it is indemnified and/or secured and/or prefunded to its satisfaction;
- 3.3.2 direct the Bond Trustee to declare that each Bond is immediately due and payable in accordance with the Conditions, provided that the Bond Trustee shall not have any obligation in relation to such direction unless it is indemnified and/or secured and/or prefunded to its satisfaction; and
- 3.3.3 give notice to the Account Bank that no further withdrawals may be made from any Issuer Account or may direct the Security Trustee to issue an Account Control Notice pursuant to the Issuer Accounts Agreement.

3.4 RPI Swap Provider’s Right to take Enforcement Action

If an RPI Swap Provider has terminated or closed out a Transaction under an RPI Swap Agreement but has not received any RPI Swap Termination Payment owing to it, it shall be entitled to oblige the Controlling Creditor to take or to instruct the Security Trustee to take Enforcement Action on or prior to this date falling five (5) years after the date on which such Transaction was terminated or closed out and the Controlling Creditor is not otherwise taking Enforcement Action at such time.

3.5 Enforcement Action when the Majority Creditor is the Controlling Creditor

At any time the Majority Creditor is the Controlling Creditor, the requisite votes required to make a Majority Creditor decision to commence Enforcement or take other Enforcement Action decreases so that percentage set forth in the definition of Majority Creditor, following the occurrence (and continuance) of an Event of Default:

- 3.5.1 with effect from the day falling 120 days following the earlier of the Security Trustee being notified of or otherwise becoming aware of the occurrence of an Event of Default, is 51 per cent;
- 3.5.2 with effect from the day falling 150 days following the earlier of the Security Trustee being notified of or otherwise becoming aware of the occurrence of an Event of Default, is 33 per cent; and
- 3.5.3 with effect from the day falling 180 days following the earlier of the Security Trustee being notified of or otherwise becoming aware of the occurrence of an Event of Default, is either:
 - (iv) 25 per cent.; or
 - (v) the majority of the RPI Swap Providers.

3.6 Issuer Expenses Reserve Account

The Issuer undertakes to ensure that a reserve amount of £500,000 has been deposited into the Issuer Expenses Reserve Account, which is an Issuer Account, as at the Issue Date. This reserve amount is

intended to cover any unexpected or extraordinary ongoing costs of the Issuer associated with its continued corporate existence, third party costs as well as in respect of the listing and the rating of the Bonds.

3.7 Application of monies prior to an Enforcement

Prior to an Enforcement, all amounts received by the Issuer will be applied in accordance with paragraph 3.2(a) (*Pre-Enforcement Priority of Payments*) of schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement (and in particular, paragraph 3.2(a) (*Pre-Enforcement Priority of Payments*) of schedule 4 (*Cash Management Services*)). See the section entitled “*Issuer Accounts Agreement*” below.

3.8 Application of monies following an Enforcement

Subject to paragraph 3.8(B) below, following an Enforcement, any proceeds of such Enforcement or other monies paid to or collected by the Security Trustee under the Issuer Security Trust and Intercreditor Deed or under any of the Issuer Security Documents or otherwise held by the Security Trustee on account of the Issuer or Issuer HoldCo as part of the Security shall be held by the Security Trustee on trust and (after taking into account any payments that have been made to the Principal Paying Agent either for its own account or that are due to be distributed by the Principal Paying Agent to Bondholders in accordance with the Paying Agency Agreement) applied in the following order:

3.8.1 in payment *pro rata* and *pari passu* to:

- (a) the Security Trustee or any receiver of any unpaid remuneration payable under the Issuer Security Trust and Intercreditor Deed or the other Issuer Finance Documents (including that agreed pursuant to clauses 18.16 (*Indemnity of Controlling Creditor*) to 18.22.1 (*Expenses*) of the Issuer Security Trust and Intercreditor Deed and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, other fees and disbursements or other amounts expended or incurred by or other amounts due to the Security Trustee or any receiver or Appointee in connection with the trusts of the Issuer Security Trust and Intercreditor Deed or in enforcing the rights and remedies of the Security Trustee under any of the Issuer Finance Documents; and
- (b) the Bond Trustee, of all unpaid remuneration and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, accountants’ and other Appointees’ fees and disbursements expended or incurred by or other amounts due to the Bond Trustee in connection with the trusts of the Issuer Security Trust and Intercreditor Deed, the Bond Trust Deed or in enforcing the rights and remedies of the Bond Trustee under the Issuer Finance Documents;

3.8.2 in payment *pro rata* and *pari passu* to the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider of all unpaid remuneration, and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, accountants’ and other Appointees’ fees and disbursements expended or incurred by or other amounts due to the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider, in connection with the trusts of the Issuer Security Trust and Intercreditor Deed, the Paying Agency Agreement or the Issuer Accounts Agreement or in enforcing the rights and remedies of the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider under any of the Issuer Finance Documents;

- 3.8.3 in payment *pro rata* and *pari passu* of all fees, costs and expenses incurred by or in respect of the Issuer or the Issuer HoldCo, including amounts due and payable to any third party service providers in accordance with the Issuer Finance Documents, not otherwise covered by limbs 3.8.1 to 3.8.2 above, including but not limited to:
- (a) maintain the corporate existence of the Issuer or the Issuer HoldCo (including without limitation, auditing and making filings at Companies House) and any other running costs of the Issuer or the Issuer HoldCo;
 - (b) any amounts required to pay or discharge any fine, penalty or sanction imposed by a regulator or competent authority payable to a regulator or competent authority in connection with any breach or alleged breach of any applicable law, including all fees, costs, liabilities and expenses;
 - (c) maintain the listing of the Bonds; and/or
 - (d) maintain the ratings of the Bonds;
- 3.8.4 in payment to the Step-In Creditor until it has received any and all unpaid costs and expenses incurred by the Step-In Creditor;
- 3.8.5 in payment to the Financial Guarantors (and *pro rata* between each Financial Guarantor) until they have received any and all costs, fees or expenses due and payable under the Issuer Reimbursement and Indemnity Deed (other than pursuant to clause 3.2.5 (*Bond Financial Guarantee Fee*), 3.3.1 (*Reimbursement and Additional Payment Obligation*) or 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed) and, to the extent the Financial Guarantor Removal Date has occurred, any and all Financial Guarantor Removal Payments;
- 3.8.6 to the extent that any claims have been made under the Bond Financial Guarantees and/or the Loan Financial Guarantees and amounts paid out by the Financial Guarantors are collectively in excess of the Issuer's obligations calculated in accordance with Schedule 4 (*Cash Management Services*), paragraph 1.1(c) (*Determinations and Calculations*) of the Issuer Accounts Agreement on a Debt Service Calculation Date (any such amount a "**Double Recovery Amount**"), in payment to the Financial Guarantors any and all Double Recovery Amounts;
- 3.8.7 in payment, *pro rata*, to the Financial Guarantors until they have received any and all amounts due and payable under clause 3.2.5 (*Bond Financial Guarantee Fee*) of the Issuer Reimbursement and Indemnity Deed and the Bond Financial Guarantee Fee Letters;
- 3.8.8 in payment, *pro rata*, to the RPI Swap Provider, any due and payable RPI Swap Costs;
- 3.8.9 in payment, *pro rata* and *pari passu*, to:
- (i) the Bond Trustee on behalf of Bondholders in payment of any and all scheduled interest due and payable on the Bonds; provided that, the aggregate amount payable pursuant to this paragraph 3.8.9(i) on any date shall be limited to the Scheduled Interest Liability as at that date. For this purpose, "**Scheduled Interest Liability**" means the amount of interest on the Bonds which the Financial Guarantors have become liable to pay on or prior to that date under the Bond Financial Guarantees or would be or become so liable subject only to a claim being made in accordance with the Bond Financial Guarantees;

- (ii) the Bond Trustee on behalf of Bondholders (provided all Financial Guarantor Removal Payments have been made to the Financial Guarantors and the Financial Guarantor Removal Effective Date has occurred), any fee amounts that would otherwise have been payable to the Loan Financial Guarantors under the Loan Financial Guarantee Fee Letters;
- (iii) the Financial Guarantors in payment of any and all amounts due and payable under clauses 3.3.1 (*Reimbursement and Additional Payment Obligation*) and 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed with respect to interest on the Bonds (which shall include for the avoidance of doubt, any payments made by them with respect to RPI Swap Costs under any RPI Swap Guarantee from time to time) (including pursuant to any right of subrogation the Financial Guarantors have acquired in respect of any payments made by the Financial Guarantors under the Bond Financial Guarantees with respect to interest on the Bonds or any RPI Swap Guarantee with respect to RPI Swap Costs); and to the extent applicable, the reimbursement to the Financial Guarantors of any Covered RPI Amounts paid by them pursuant to Clause 8 (*Financial Guarantors' Right to Service RPI Swap Payments*) of the Issuer Security Trust and Intercreditor Deed; and
- (iv) the RPI Swap Provider in payment of all RPI Swap Termination Payments other than those arising as a result of an RPI Swap Provider Default;

3.8.10 in payment, *pro rata* and *pari passu*, to:

- (i) the Bond Trustee on behalf of the Bondholders of any and all principal due and payable on the Bonds; provided that, the aggregate amount payable pursuant to this paragraph 3.8.10(i) on any date shall be limited to the Scheduled Principal Liability as at that date. For this purpose, "**Scheduled Principal Liability**" means the amount in respect of principal of the Bonds which the Financial Guarantors have become liable to pay on or prior to that date pursuant to the Bond Financial Guarantees or would be or become so liable subject only to a claim being made in accordance with the Bond Financial Guarantees; and
- (ii) the Financial Guarantors until they have received any and all amounts due and payable under clauses 3.3.1 (*Reimbursement and Additional Payment Obligation*) and 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed with respect to principal on the Bonds (including pursuant to any right of subrogation the Financial Guarantors have acquired in respect of any payments made by the Financial Guarantors with respect to principal on the Bonds);

3.8.11 in payment, *pro rata*, to the Bond Trustee on behalf of Bondholders of any and all amounts due and payable pursuant to Condition 6 (*Redemption and Purchase*) (other than Condition 6(a) (*Scheduled Redemption*)) of the Index-Linked Bond Conditions and the Fixed Rate Bond Conditions;

3.8.12 if:

- (i) the Bonds have been accelerated in accordance with Condition 9 (*Events of Default*) of the Fixed Rate Bond Conditions and Condition 11 (*Events of Default*) of the Index-Linked Bond Conditions, in payment, *pro rata*, to the Bond Trustee on behalf of Bondholders of all outstanding principal due and payable on the Bonds;
- (ii) the Bonds have not been accelerated in accordance with Condition 9 (*Events of Default*) of the Fixed Rate Bond Conditions and Condition 11 (*Events of Default*) of the Index-Linked Bond Conditions, any and all amounts remaining after application of paragraphs

3.8.1 to 3.8.9 above shall be held in trust by the Security Trustee on behalf of the Creditors and, unless otherwise instructed by the Controlling Creditor, applied by the Security Trustee in payment of amounts becoming due and payable under paragraphs 3.8.1 to 3.8.9 above as and when such amounts become so due and payable;

3.8.13 following discharge in full of all Financial Guarantor Liabilities (together with all of the equivalent liabilities arising in respect of the Loan Financial Guarantees) and payment in full of all outstanding principal due and payable on the Bonds, if any other Liabilities remain outstanding (other than the RPI Swap Termination Payments referred to in paragraph 3.8.15 below), towards payment, *pro rata*, of all remaining sums or liabilities due or owed to the Secured Creditors in respect of such Liabilities;

3.8.14 in payment to the RPI Swap Provider of any RPI Swap Termination Payments due and payable that have arisen as a result of an RPI Swap Provider Default; and

3.8.15 following discharge in full of all Liabilities, all remaining amounts in payment to the Issuer.

(B) The Security Trustee shall not use any amounts in the Credit Support Accounts to make any payment in relation to paragraph 3.8(A) above (other than pursuant to Clause 7.4.5(ii)f(II) (*Ongoing Credit Rating*) of the Issuer Security Trust and Intercreditor Deed). The Security Trustee shall apply the balances in the Credit Support Accounts in accordance with Clause 7.4 (*Ongoing Credit Rating*) of the Issuer Security Trust and Intercreditor Deed, Clause 4 (*Credit Support Accounts and Securities Collateral Accounts*) of the Issuer Accounts Agreement and paragraph 3.4 (*Credit Support Accounts*) of Schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement.

3.9 Entrenched Rights and Reserved Matters

The Entrenched Rights and Reserved Matters in the Issuer Security Trust and Intercreditor Deed are usual for a transaction of this type. The Bond Trustee Entrenched Rights are any Financing Right, the exercise of which would result in or permit any of the following (to the extent that the Bond Trustee is, or could be, adversely affected by it):

- (a) an increase to or adverse modification of the obligations or liabilities of, or other matters adversely affecting the interests of, the Bond Trustee (in its capacity as such) under the Issuer Security Trust and Intercreditor Deed or any other Issuer Finance Document;
- (b) any amendment or other matter which would have the effect of amending or permitting any amendment to the Bond Trust Deed;
- (c) any amendment or other matter which would have the effect of amending or changing any indemnities granted in favour of the Bond Trustee pursuant to the Issuer Finance Documents;
- (d) any amendment to clause 21 (*Application*) which affects the manner in which any amounts owing to the Bond Trustee are paid or to any other provision of the Issuer Security Documents which has the effect of amending clause 21 (*Application*) which affects the manner in which any amounts owing to the Bond Trustee are paid;
- (e) any amendment or other matter which would otherwise have the effect of changing the Bond Trustee's Reserved Matters;
- (f) any change relating to a definition used in, or a provision cross-referenced in, any provision of any Issuer Finance Document to which the preceding paragraphs (a) to (e) above as contained in the Issuer Security Trust and Intercreditor Deed apply; or

- (g) any amendment or other matter which would otherwise have the effect of changing any right granted under Part 4 of Schedule 3 of the Issuer Security Trust and Intercreditor Deed.

3.10 Rights and responsibilities of the Security Trustee

The Issuer Security Trust and Intercreditor Deed, *inter alia*, provides as follows:

- (i) the Security Trustee shall not be responsible for monitoring the obligations of any person to the Issuer or any other obligation of any party under the Issuer Finance Documents and shall assume that all such persons are duly performing the same;
- (ii) in the absence of manifest error, the Security Trustee shall be entitled to assume that any instructions or certificates received by it from the Controlling Creditor under or pursuant to the Issuer Security Trust and Intercreditor Deed or any of the other Issuer Finance Documents are given, where appropriate, in accordance with directions of persons or the provisions of agreements by which the other Secured Creditors are bound and the Security Trustee shall not be liable to any other person for any action taken or omitted under or in connection with the Issuer Security Trust and Intercreditor Deed in accordance with any such instructions or certificates unless caused by its fraud, gross negligence or wilful default. The Security Trustee shall be entitled to act upon any notice, request or other communication of any party to the Issuer Security Trust and Intercreditor Deed for the purposes of the Issuer Security Trust and Intercreditor Deed or any of the Issuer Finance Documents if such notice, request or other communication purports to be signed or sent by or on behalf of an authorised signatory of such party;
- (iii) the Security Trustee is under no obligation to investigate nor is it responsible or liable for any loss arising as a result of any failure to investigate the title in relation to legality, validity, value, sufficiency, enforceability or effectiveness of the Security purported to be created by any Issuer Security Document or the legality, validity or enforceability of any contracts over which the Security is created and the Security Trustee shall accept without investigation, requisition or objection and without any responsibility or liability for doing so such right and title as the Issuer may have to the property, assets or rights over which Security is created pursuant to the Issuer Security Documents. The Security Trustee will not be responsible for or liable for loss which results should any deficiency arise between the amount realised in respect of the property, assets and rights over which Security is given by the Issuer Security Documents and sums due in respect of the Liabilities because the Security Trustee is liable to tax in respect of the property, assets and rights over which such security is created; and
- (iv) save as expressly otherwise provided in the Issuer Security Trust and Intercreditor Deed, the Security Trustee shall act pursuant to the provisions of the Issuer Security Trust and Intercreditor Deed or any other Finance Document only at the request or direction of the Controlling Creditor; save that the Security Trustee shall not be bound to act unless it is first indemnified and/or secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all claims, losses, costs, demands, charges, damages, expenses, judgments (including legal fees and expenses) and liabilities which it may incur by so doing.

3.11 Definitions

“Account Control Notice” means a notice in substantially the form set out in schedule 7 (*Form of Account Control Notice*) to the Issuer Accounts Agreement;

“Authorised Investments” means any of the following investments which has a scheduled maturity of less than 12 months:

- (i) gilt edged securities and other freely transferable and marketable debt securities issued by the government of the United Kingdom, denominated in sterling and which constitute direct, primary and unsubordinated obligations;
- (ii) bonds or notes, denominated in sterling, of or guaranteed by any supranational entity or sovereign, the unsecured, unguaranteed and unsubordinated medium term obligations of which have a medium term senior debt rating of at least AA- from S&P and Aa3 from Moody’s;
- (iii) commercial paper, denominated in sterling, constituting direct, primary and unsubordinated obligations, which has a short term senior debt rating of at least A-1+ from S&P and P-1 from Moody’s; and
- (iv) call or fixed deposits, certificates of deposit, denominated in sterling, of any building society (which is an authorised institution under the Building Societies Act 1986) or any authorised institution (for the purposes of FSMA) and which has a short term senior debt rating of at least A-1+ from S&P and P-1 from Moody’s;

“Charged Property” means:

- (i) the rights, title and assets secured by, and the rights and powers given to the Security Trustee under and pursuant to, the Issuer Security Documents including the covenants given in respect of the obligations under the Issuer Security Documents;
- (ii) all assets, rights, powers, guarantees, encumbrances or money at any time transferred, paid to or vested in the Security Trustee or any of the Secured Creditors as additions to the Charged Property referred to in paragraph (i) above excluding (for the avoidance of doubt) the Bond Financial Guarantees; and
- (iii) all investments, property or money at any time representing the Charged Property referred to in paragraphs (i) and (ii) above or any part thereof, including all interest, income and other sums at any time received or receivable by the Security Trustee in respect of such Charged Property (or any part thereof);

“Classes of Creditors” means each of the following classes of Creditor which shall each constitute an individual class of creditors of the Issuer, certain actions of which are regulated by the Issuer Security Trust and Intercreditor Deed and which are each represented by the creditors’ representative (the “**Creditors’ Representative**”) so specified below for such class:

- (i) the Bond Creditors, represented by the Bond Trustee;
- (ii) the RPI Swap Provider or if there is more than one RPI Swap Provider, the RPI Swap Providers together; and
- (iii) the Financial Guarantors, represented by AGUK, unless AGUK and AGM jointly notify the parties to the Issuer Security Trust and Intercreditor Deed that AGM or an Affiliate of AGUK or AGM will assume such role,

and any reference to any “Class thereof” shall refer to any Class of Creditor.

“Controlling Creditor” means:

- (a) the Financial Guarantors unless and until such time as;

(i) each of the Bond Financial Guarantees and the Loan Financial Guarantees has been terminated in accordance with its terms either (X) pursuant to clause 10 (*Release of Financial Guarantees following a Financial Guarantor Removal Date*) of the Issuer Security Trust and Intercreditor Deed and the Financial Guarantor Removal Effective Date has occurred; or (Y) pursuant to clause 11 (*Release of Financial Guarantees following a Financial Guarantor Elected Removal Date*) of the Issuer Security Trust and Intercreditor Deed and the Financial Guarantor Elected Removal Effective Date has occurred; or

(ii) a Financial Guarantor Default has occurred,

in which case, the Majority Creditor, unless:

(aa) a new financial guarantor has been appointed by the relevant Creditor, in which case it shall be the new financial guarantor; or

(bb) such Financial Guarantor Default has been cured or waived, in which case it shall be the Financial Guarantors.

“Corporate Services Provider” means Intertrust Management Limited, appointed pursuant to a corporate services agreement dated on or around the date of the Issuer Security Trust and Intercreditor Deed, or any replacement corporate services provider appointed thereto.

“Creditors” means each of the Financial Guarantors, the RPI Swap Provider, the Bond Trustee, the Bondholders, the Paying Agents, the Calculation Agent, the Account Bank, the Security Trustee, the Cash Manager and Corporate Services Provider and “Creditor” means each such person.

“Delegate” means any delegate, agent, attorney or co-trustee appointed by the Security Trustee.

“Enforcement Action” means in relation to any debt:

(a) any action specified, or cross-referred to, in the Issuer Security Trust and Intercreditor Deed which is permitted to be taken during a subsisting event of default (howsoever described) (subject to the provisions of the Issuer Security Trust and Intercreditor Deed); or

(b) any action to freeze any of the Issuer Accounts (as contemplated by the Issuer Security Trust and Intercreditor Deed or the Issuer Accounts Agreement); or

(c) any action to declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the debt; or

(d) any action to exercise or enforce any security interest conferred by any of the security documents or appoint or require the appointment of a receiver, administrative receiver or other similar person in relation to the Issuer or any other relevant company during a subsisting event of default (howsoever described) including taking any action to crystallise or require the crystallisation of any floating charge under any security document; or

(e) any action to recover all or any part of the debt (including by exercising any right of set-off or combination of accounts, attachment or otherwise); or

(f) taking any step (including petition, application, notice of meeting or proposal to creditors) for the winding-up, or administration of, or any insolvency proceeding in relation to the Issuer or for a voluntary arrangement or scheme of arrangement in relation to the Issuer including taking any other steps which are reasonably likely to lead to an Insolvency Event (or equivalent) in relation to the Issuer; or

- (g) any action to sue for or institute any creditor's process (including a freezing order, garnishment, execution or levy, whether before or after judgment) in respect of any obligations (whether or not for the payment of money) owing to it under or in respect of any Issuer Finance Document; or
- (h) any action to commence litigation, arbitration or other legal proceedings against the Issuer arising out of or otherwise in connection with any Issuer Finance Document; or
- (i) applying for any order for an injunction or specific performance in respect of the Issuer in relation to any Issuer Finance Document; or
- (j) any action by the Bond Trustee pursuant to clause 2.2 (*Rights of Bond Trustee following an Event of Default*) of the Bond Trust Deed; or
- (k) in relation to any RPI Swap Costs and RPI Swap Termination Payments due to any RPI Swap Provider under any RPI Swap Agreement (without limitation to the other provisions of this definition):
- (l) any action to designate an Early Termination Date (as defined in the RPI Swap Agreement) under or otherwise terminate any RPI Swap Agreement; or
- (m) any action to demand payment of any amount which would become payable following an Early Termination Date (as defined in the RPI Swap Agreement),
- (n) other than to the extent permitted pursuant to clause 7.2 (*Termination Events*) of the Issuer Security Trust and Intercreditor Deed.

“Entrenched Rights” means the Core Entrenched Rights, the Bond Trustee Entrenched Rights, the Financial Guarantor Entrenched Rights, the Security Trustee Entrenched Rights and the RPI Swap Provider's Entrenched Rights (each as defined in the Issuer Security Trust and Intercreditor Deed).

“Event of Default” has the meaning given to it in Condition 11 (*Events of Default*) of the Index-Linked Bond Conditions and Condition 9 (*Events of Default*) of the Fixed Rate Bond Conditions.

“Exposure” means at any time of determination (and without double counting):

- (a) in the case of the Bond Creditors, the aggregate principal amount of the Bonds outstanding at such time (including, in the case of the Index-Linked Bonds, as adjusted for indexation in accordance with the Index-Linked Bond Conditions);
- (b) in the case of the RPI Swap Provider:
 - (i) following the occurrence of an Issuer Default that gives rise to the ability to terminate or close out a Transaction under the RPI Swap Agreement but prior to the termination or close out of such Transaction, the amount, if any, which would be payable to the RPI Swap Provider under the RPI Swap Agreement in respect of that Transaction if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the RPI Swap Agreement) for which the Issuer is the Defaulting Party (as defined in the RPI Swap Agreement);
 - (ii) following the termination or close out of any Transaction (in any case, in accordance with the provisions of the Issuer Security Trust and Intercreditor Deed) arising as a result of an Issuer Default under the RPI Swap Agreement, an amount equal to the RPI Swap Termination Payment (if any) which is due and payable to the RPI Swap Provider in respect of such termination or close out; and

- (iii) at any other time, zero; and
- (c) in the case of the Financial Guarantors, the aggregate amount outstanding under the Issuer Reimbursement and Indemnity Deed at such time.

“Financial Guarantors” means in relation to the Bond Financial Guarantees unless AGUK and AGM jointly notify the Issuer, the Security Trustee, the Bond Trustee, the Principal Paying Agent, the Cash Manager and the Account Bank that AGM or AGUK or an Affiliate of AGUK and/or AGM (as applicable) will assume such role, for the purposes of the Issuer Finance Documents:

- (a) AGUK on its behalf and on behalf of AGM, in the context of:
 - (i) delivering information or notices;
 - (ii) consenting to any agreement;
 - (iii) providing instructions;
 - (iv) acting as Controlling Creditor;
 - (v) providing an opinion;
 - (vi) granting approvals; and/or
 - (vii) anything being satisfactory to the Financial Guarantors,
- (A) both AGUK and AGM in the context of:
 - (viii) signatories or officers; and/or
 - (ix) receiving information and/or notices, subject to clauses 32.1.1 and 32.1.2 (*Electronic Communication*) of the Issuer Security Trust and Intercreditor Deed;
- (B) AGUK, in the context of the AGUK Bond Financial Guarantee in its capacity as “Financial Guarantor” therein; and
- (C) AGM, in the context of the AGM Bond Financial Guarantee in its capacity as “Financial Guarantor” therein.

“Financial Guarantor Default” means any of the following events:

- (a) the event specified in clause 21.1 (*Guarantor Non-payment*) of the Loan Facilities Agreement;
- (b) any Guaranteed Amount which is due for payment by AGM in accordance with the terms of the AGM Bond Financial Guarantee is not paid by AGM on the date stipulated in such AGM Bond Financial Guarantee;
- (c) AGM disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under an AGM Bond Financial Guarantee or seeks to do so (in each case, in writing);
- (d) AGM (i) files a petition or commences a case or proceeding under any provision or chapter of the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, liquidation or reorganisation, or (ii) makes a general assignment for the benefit of its creditors, or (iii) has a final and non-appealable order for relief entered against it under the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, liquidation or reorganisation; or

- (e) a court of competent jurisdiction, the New York Department of Insurance or other competent regulatory authority enters a final and non-appealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for AGM or for all or any material portion of its property or (ii) authorising the taking of possession by a custodian, trustee, agent or receiver of AGM or of all or any material portion of its property;

“Financial Guarantor Downgrade Event” means, at any time while the Bonds remain outstanding, both:

- (a) AGM’s insurer financial strength rating by Moody’s ceases to be at least “Baa3”; and
- (b) AGM’s insurer financial strength rating by S&PGR ceases to be at least “BBB-”, provided, that during such time, if any, as AGM’s insurer financial strength is not rated by Moody’s and not rated by S&PGR, then a “Financial Guarantor Downgrade Event” means at any time while the Bonds remain outstanding, that AGM’s insurer financial strength rating is not rated at least “BBB-” or the equivalent by at least one other credit rating agency which is registered with the United States Securities and Exchange Commission as a nationally recognised statistical rating organisation (such rating agency during such time, an “**Alternative Rating Agency**”).

“Financial Guarantor Elected Removal Date” means the date on which, following the Financial Guarantors’ election to terminate, the Bond Financial Guarantees and the Loan Financial Guarantees have been terminated pursuant to clause 11 (*Release of Financial Guarantees following Financial Guarantor Election Removal Date*) of the Issuer Security Trust and Intercreditor Deed and clause 5.6 (*Termination of Loan Financial Guarantees (following exercise of Instalment Option)*) of the Amended STID.

“Financial Guarantor Elected Removal Effective Date” means the date on which the Loan Financial Guarantors have notified the Issuer and the Bond Trustee in writing that the Loan Financial Guarantors have received the make-whole amount due and payable to the Loan Financial Guarantors in accordance with the Loan Financial Guarantee Fee Letters and the Funders Direct Agreement.

“Financing Rights” means, in respect of the Security Trustee or any other Secured Creditor, all rights which it has the benefit of pursuant to any Issuer Finance Document (other than any Reserved Matter (as defined in the Issuer Security Trust and Intercreditor Deed) or any right to amend the provisions of the Issuer Security Trust and Intercreditor Deed) including:

- (a) the right, or the right to direct the Security Trustee, or another Secured Creditor, to consent to any amendment, waiver, modification and/or extension of any provision of any Issuer Finance Document;
- (b) the right, or the right to direct the Security Trustee, or another Secured Creditor, to exercise any right, power and discretion of or under any of the provisions of the Issuer Finance Documents (including, without limitation, the right to refuse to advance sums upon non-satisfaction of, or to waive, any conditions precedent contained in any Issuer Finance Document);
- (c) the right, or the right to direct the Security Trustee, or another Secured Creditor, to bring any litigation, arbitration, administrative or other proceedings arising from or in connection with the Issuer Finance Documents; and
- (d) the exercise of any right expressed to be in favour of the Controlling Creditor under the Issuer Finance Documents.

“Funders Direct Agreement” means the funders direct agreement to which the Issuer is a party entered into in relation to the Loan Facilities Agreement, originally dated 15 December 2005, as amended and restated on or about the Issue Date.

“Issuer Finance Documents” means:

- (a) the Bond Trust Deed;
- (b) the Issuer Security Trust and Intercreditor Deed;
- (c) the Issuer Security Documents;
- (d) the Issuer Accounts Agreement;
- (e) the Funders Direct Agreement;
- (f) each Bond Financial Guarantee;
- (g) each Bond Financial Guarantee Fee Letter;
- (h) the Issuer Reimbursement and Indemnity Deed;
- (i) the Paying Agency Agreement;
- (j) the RPI Swap Agreement;
- (k) any RPI Swap Guarantee and any related fee letters or other ancillary documents; and
- (l) any other agreements or documents between the Issuer and any Creditor which the Controlling Creditor may from time to time designate as an Issuer Finance Document.

and “Issuer Finance Document” means any one of them.

“Issuer Security Documents” means:

- (a) the Issuer Debenture;
- (b) the Issuer HoldCo Debenture;
- (c) the Issuer Security Trust and Intercreditor Deed;
- (d) any other document from time to time executed in favour of the Security Trustee for the purpose of securing all or any of the Secured Obligations; and
- (e) any deed of accession entered into in respect of any of the above.

“Instalment Option Exercise Notice” means a notice issued by the Trust of its election to exercise the Instalment Option pursuant to and in accordance with clause 3.11 (*Exercise of Instalment Option*) of the Funders Direct Agreement.

“Liabilities” means the Paying Agent Liabilities, the Financial Guarantor Liabilities, the Account Bank Liabilities, the Bond Liabilities, the RPI Swap Provider Liabilities and the Security Trustee Liabilities (each as defined in the Issuer Security Trust and Intercreditor Deed).

“Majority Creditor” means a Class of Creditor or Classes of Creditors whose Exposure in aggregate is more than 66 2/3 per cent. of the Total Creditor Exposure of all of the Classes of Creditor.

“Paying Agent” means, in relation to the Bonds of any relevant series, the several institutions (including, where the context permits, the Principal Paying Agent) for the time being appointed as paying agents in relation to the Bonds pursuant to the Paying Agency Agreement;

“Receiver” means a receiver or receiver and manager or administrative receiver of the whole or part of the Charged Property.

“Reserved Matters” means the Creditor Reserved Matters, Bond Trustee Reserved Matters, the Security Trustee Reserved Matters, the RPI Swap Provider Reserved Matters and the Financial Guarantor Reserved Matters (each as defined in the Issuer Security Trust and Intercreditor Deed).

“RPI Swap Guarantee” means an irrevocable and unconditional guarantee: (a) from an entity possessing an insurer financial strength rating or a long-term senior, unsecured, unsubordinated indebtedness rating by: (i) S&PGR of at least BBB; or (ii) the equivalent by at least one other Alternative Rating Agency; (b) in respect of the Issuer’s obligations to pay: (A) RPI Swap Costs; and (B) RPI Swap Termination Payments, only to the extent such amounts become due and payable as a consequence of a failure by the guarantor to pay such scheduled amounts; and (C) on terms satisfactory to the RPI Swap Provider (acting reasonably), in accordance with clause 7.3 (Issue of RPI Swap Guarantee) of the Issuer Security Trust and Intercreditor Deed.

“RPI Swap Termination Payment” means any amount falling due from or due to the Issuer under any RPI Swap Agreement as a result of the termination of any Transaction (as defined in the RPI Swap Agreement) under the RPI Swap Agreement, whether in whole or in part, other than interest accruing on any amount not paid when due.

“Secured Creditor” means a Creditor, a Receiver or any Delegate.

“Secured Obligations” means all money or liabilities due, owing or incurred to any Creditor by the Issuer or the Issuer HoldCo under any Issuer Finance Document at present or in the future, in any manner whether actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety, together with all interest accruing thereon.

“Security” means the security created or contemplated by the Issuer Security Documents or otherwise in respect of the Secured Obligations.

“Total Creditor Exposure” means as at any time, the aggregate Exposure at such time of all the Creditors.

4 Issuer Debenture

Pursuant to the Issuer Debenture, the obligations of the Issuer under the Issuer Finance Documents will be secured by fixed and/or floating charges in favour of the Security Trustee over all the assets of the Issuer, including balances standing to the credit of the Issuer Accounts under the Issuer Accounts Agreement

5 Issuer HoldCo Debenture

Pursuant to the Issuer HoldCo Debenture, the obligations of the Issuer HoldCo under the Issuer Finance Documents will be secured by fixed and/or floating charges in favour of the Security Trustee over all the assets of the Issuer HoldCo, which includes its shares in the Issuer.

6 Issuer Accounts Agreement

6.1 General

The Issuer has entered into an accounts agreement with the Security Trustee, the Bond Trustee, the Cash Manager, the Principal Paying Agent and the Account Bank, or any other bank or banks agreed between the parties which becomes a party to such accounts agreement as account bank (the “**Issuer Accounts Agreement**”) on or before the Issue Date.

The Issuer Accounts Agreement will regulate payments into and out of each of the Issuer Accounts, intended, *inter alia*, to ensure the paying up of the relevant debt service accounts, the prevention of certain prohibited payments, and the paying of any unexpected or extraordinary ongoing costs of the

Issuer associated with its continued corporate existence, third party costs as well as in respect of the listing and the rating of the Bonds, to be paid from the Issuer Expenses Reserve Account.

The Issuer Accounts Agreement will also regulate payments into and out of the Credit Support Accounts intended for each RPI Swap Provider to deposit into a separate account any cash or securities collateral amounts required pursuant to the RPI Swap Agreement, and to have any applicable collateral amounts returned to the RPI Swap Provider pursuant to the RPI Swap Agreement.

Sums standing to the credit of certain of the accounts may be invested (subject to certain restrictions as to maturity) in certain authorised investments approved in accordance with the provisions of the Issuer Accounts Agreement.

6.2 Duties of the Account Bank

The Account Bank will establish and maintain the Issuer Accounts and Credit Support Accounts and comply with payment instructions in relation to the Issuer Accounts and Credit Support Accounts subject to the provisions of the Issuer Accounts Agreement.

If any of the Account Bank Termination Events occur, the Security Trustee may terminate its appointment as Account Bank. The Account Bank Termination Events include the Account Bank ceasing to be a Qualifying Account Bank.

6.3 Duties of the Cash Manager

The Cash Manager shall provide the cash management services in accordance with the Issuer Accounts Agreement, and may sub-contract or delegate any of the services provided that the Cash Manager remains liable for the provision of such services.

6.4 Cash Management Services

The cash management services include, *inter alia*, calculating amounts received into the Issuer Accounts and notifying the relevant parties of any shortfalls, maintaining records and ledgers, instructing the Account Bank regarding required crediting and debiting of the Issuer Accounts and Credit Support Accounts, instructing the Account Bank to make payments in accordance with the Pre-Enforcement Priority of Payments and instructing the Account Bank regarding Authorised Investments.

6.5 Application of monies prior to Enforcement under the Issuer Security Trust and Intercreditor Deed

Subject to paragraph 6.5.2 (*Credit Support Accounts and Issuer Expenses Reserve Account*) below, the Cash Manager will irrevocably instruct the Account Bank to make such payments as are required to ensure compliance with paragraph 3.2(a) (*Pre-Enforcement Priority of Payments*) and paragraph 3.2(c) (*Unpaid Liabilities*) of schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement:

- 6.5.1 **Pre-Enforcement Priority of Payments:** On each Scheduled Payment Date, prior to the service of an Account Control Notice, the Cash Manager shall irrevocably instruct the Account Bank to apply all funds standing to the credit of the Issuer Debt Service Payment Account in payment on the due date therefor of the amounts set out below and, to the extent that there are insufficient funds standing to the credit of the Issuer Debt Service Payment Account the Cash Manager shall: (A) to the extent any funds stand to the credit of the Issuer Transaction Account, instruct the Account Bank to transfer, up to an amount equal to the shortfall in the Issuer Debt Service Payment Account, any such funds from the Issuer Transaction Account to the Issuer Debt Service Payment Account; and (B) to the extent there are no funds standing to the credit of the Issuer Transaction Account or after transferring the entire balance of the Issuer Transaction Account

into the Issuer Debt Service Payment Account a shortfall still exists, such payments shall be made in accordance with the following priority (such order of application being the “**Pre-Enforcement Priority of Payments**”), in each case only if and to the extent that items of a higher priority have been or will be paid or satisfied in full on or prior to the relevant Scheduled Payment Date:

- (i) in payment pro rata and *pari passu*:
 - (A) to the Security Trustee of any unpaid remuneration payable under the Issuer Security Trust and Intercreditor Deed or the other Issuer Finance Documents (including that agreed pursuant to clauses 18.16 (*Indemnity of Controlling Creditor*) to 18.22 (*Expenses*) of the Issuer Security Trust and Intercreditor Deed and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, other fees and disbursements or other amounts expended or incurred by or other amounts due to the Security Trustee or any Appointee in connection with the trusts of the Issuer Security Trust and Intercreditor Deed or in enforcing the rights and remedies of the Security Trustee under any of the Issuer Finance Documents;
 - (B) to the Bond Trustee, of all unpaid remuneration and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, accountants’ and other Appointees’ fees and disbursements expended or incurred by or other amounts due to the Bond Trustee in connection with the trusts of the Issuer Security Trust and Intercreditor Deed, the Bond Trust Deed or in enforcing the rights and remedies of the Bond Trustee under any of the Issuer Finance Documents;
- (ii) in payment or satisfaction of any tax for which the Issuer is primarily liable to the appropriate tax authorities;
- (iii) in payment pro rata and *pari passu* to the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider, of all unpaid remuneration, and all costs, charges, expenses, liabilities, indemnity payments, legal fees and disbursements, accountants’ and other Appointees’ fees and disbursements expended or incurred by or other amounts due to the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider in connection with the trusts of the Issuer Security Trust and Intercreditor Deed, the Paying Agency Agreement or the Issuer Accounts Agreement or in enforcing the rights and remedies of the Principal Paying Agent, any other Paying Agent, the Cash Manager, the Account Bank, the Calculation Agent and the Corporate Services Provider under the Issuer Finance Documents;
- (iv) in payment pro rata and *pari passu* of all fees, costs and expenses incurred by or in respect of the Issuer or the Issuer HoldCo, including amounts due and payable to any third party service providers in accordance with the Issuer Finance Documents, not otherwise covered by limbs (i) to (iii) above, including but not limited to:
 - (A) maintain the corporate existence of the Issuer or the Issuer HoldCo (including without limitation, auditing and making filings at Companies House) and any other running costs of the Issuer or the Issuer HoldCo;
 - (B) any amounts required to pay or discharge any fine, penalty or sanction imposed by a regulator or competent authority payable to a regulator or competent authority in

connection with any breach or alleged breach of any applicable law, including all fees, costs, liabilities and expenses;

- (C) maintain the listing of the Bonds; and/or
- (D) maintain the ratings of the Bonds;
- (v) in payment to the Step-In Creditor until it has received any and all unpaid costs and expenses incurred by the Step-In Creditor;
- (vi) in payment to the Financial Guarantors (and pro rata between each Financial Guarantor) until they have received any and all costs, fees or expenses due and payable under the Issuer Reimbursement and Indemnity Deed (other than pursuant to clauses 3.2.5 (*Bond Financial Guarantee Fee*), 3.3.1 (*Reimbursement and Additional Payment Obligation*) or 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed) and, to the extent the Financial Guarantor Removal Date has occurred, any and all Financial Guarantor Removal Payments;
- (vii) to the extent that any claims have been made under the Bond Financial Guarantees and/or the Loan Financial Guarantees and amounts paid out by the Financial Guarantors are collectively in excess of the Issuer's obligations calculated in accordance with Schedule 4 (*Cash Management Services*), paragraph 1.1(c) (*Determinations and Calculations*) of the Issuer Accounts Agreement on a Debt Service Calculation Date (any such amount a "**Double Recovery Amount**"), in payment to the Financial Guarantors any and all Double Recovery Amounts;
- (viii) in payment, pro rata, to the Financial Guarantors until they have received any and all amounts due and payable under clause 3.2.5 (*Bond Financial Guarantee Fee*) of the Issuer Reimbursement and Indemnity Deed and the Bond Financial Guarantee Fee Letters;
- (ix) in payment, pro rata, to the RPI Swap Provider, any due and payable RPI Swap Costs;
- (x) in payment, pro rata and *pari passu*, to:
 - (a) the Bond Trustee on behalf of Bondholders in payment of any and all scheduled interest due and payable on the Bonds; provided that, the aggregate amount payable pursuant to this paragraph (x)(a) on any date shall be limited to the Scheduled Interest Liability as at that date. For this purpose, "**Scheduled Interest Liability**" means the amount of interest on the Bonds which the Financial Guarantors have become liable to pay on or prior to that date under the Bond Financial Guarantees or would be or become so liable subject only to a claim being made in accordance with the Bond Financial Guarantees;
 - (b) the Bond Trustee on behalf of Bondholders (provided all Financial Guarantor Removal Payments have been made to the Financial Guarantors and the Financial Guarantor Removal Effective Date has occurred), any fee amounts that would otherwise have been payable to the Loan Financial Guarantors under the Loan Financial Guarantee Fee Letters;
 - (c) the Financial Guarantors in payment of any and all amounts due and payable under (i) clauses 3.3.1 (*Reimbursement and Additional Payment Obligations*) and 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed with respect to interest on the Bonds (which shall include for the avoidance of doubt any payments made by them with respect to RPI Swap Costs under any RPI Swap Guarantee

- from time to time) (including pursuant to any right of subrogation the Financial Guarantors have acquired in respect of any payments made by the Financial Guarantors under the Bond Financial Guarantees with respect to interest on the Bonds) or any RPI Swap Guarantee with respect to RPI Swap Costs); and (ii) to the extent applicable, the reimbursement to the Financial Guarantors of any Covered RPI Amounts paid by them pursuant to Clause 8 (*Financial Guarantors' Right to Service RPI Swap Agreements*) of the Issuer Security Trust and Intercreditor Deed;
- (d) to the RPI Swap Provider in payment of all RPI Swap Termination Payments other than those arising as a result of an RPI Swap Provider Default;
- (xi) in payment, pro rata and *pari passu*, to:
- (a) the Bond Trustee on behalf of the Bondholders of any and all principal due and payable on the Bonds; provided that, the aggregate amount payable pursuant to this paragraph (xi)(a) on any date shall be limited to the Scheduled Principal Liability as at that date. For this purpose, "**Scheduled Principal Liability**" means the amount in respect of principal of the Bonds which the Financial Guarantors have become liable to pay on or prior to that date pursuant to the Bond Financial Guarantees or would be or become so liable subject only to a claim being made in accordance with the Bond Financial Guarantees; and
- (b) the Financial Guarantors until they have received any and all amounts due and payable under clauses 3.3.1 (*Reimbursement and Additional Payment Obligation*) and 3.9 (*Subrogation*) of the Issuer Reimbursement and Indemnity Deed with respect to principal on the Bonds (including pursuant to any right of subrogation the Financial Guarantors have acquired in respect of any payments made by the Financial Guarantors with respect to principal on the Bonds);
- (xii) in payment, pro rata, to the Bond Trustee on behalf of Bondholders of any and all amounts due and payable pursuant to Condition 6 (*Redemption and Purchase*) (other than Condition 6(a) (*Scheduled Redemption*)) of the Index-Linked Bond Conditions and the Fixed Rate Bond Conditions);
- (xiii) following discharge in full of all Financial Guarantor Liabilities (together with all of the equivalent liabilities arising in respect of the Loan Financial Guarantees) and payment in full of all outstanding principal due and payable on the Bonds, if any other Liabilities remain outstanding (other than the RPI Swap Termination Payments referred to in the paragraph below), towards payment, pro rata, of all remaining sums or liabilities due or owed to the Secured Creditors in respect of such Liabilities;
- (xiv) in payment to the RPI Swap Provider of any RPI Swap Termination Payments due and payable that have arisen as a result of an RPI Swap Provider Default;
- (xv) if any other Liabilities remain outstanding, towards payment, pro rata, of all remaining sums or liabilities due or owed to the Creditors in respect of such Liabilities;
- (xvi) to credit the Issuer Profit Account in an amount of £3,000 (the "**Issuer Profit Amount**"), such amount to be transferred to the Issuer Profit Account; and
- (xvii) all remaining amounts in payment to the Issuer by the payment of such amounts into the Issuer Transaction Account.

- 6.5.2 **Credit Support Accounts and Issuer Expenses Reserve Account:** Subject to paragraph 5 (*Issuer Expenses Reserve Account*) of Schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement, the Cash Manager shall instruct the Account Bank not to use any amounts in the Credit Support Accounts or the Issuer Expenses Reserve Account to make any payment in relation to paragraph 6.5.1 (*Pre-Enforcement Priority of Payments*) above, and the Account Bank shall act accordingly. The Cash Manager shall instruct the Account Bank to apply the balances in the Credit Support Accounts in accordance with Clause 7.4 (*Ongoing Credit Rating*) of the Issuer Security Trust and Intercreditor Deed, Clause 4 (*Credit Support Accounts and Securities Collateral Accounts*) of the Issuer Accounts Agreement and paragraph 3.4 (*Credit Support Accounts*) of Schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement and to apply the balance in the Issuer Expenses Reserve Account in accordance with clause 5.45 (*Obligor Undertakings*) of the Issuer Security Trust and Intercreditor Deed and paragraph 5 (*Issuer Expenses Reserve Account*) of Schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement and the Account Bank shall act accordingly.
- 6.5.3 **Unpaid Liabilities:** If, at any time prior to the service of an Account Control Notice, there are any due but unpaid Liabilities (notwithstanding the transfers and applications made in accordance with paragraph 6.5.1 (*Pre-Enforcement Priority of Payments*) above) and any amount is standing to the credit of the Issuer Accounts, the Cash Manager shall immediately upon becoming so aware (or if instructed to do so by the Security Trustee) instruct the Account Bank that the lesser of such amount and the amount of such due but unpaid Liabilities shall:
- (i) if not already standing to the credit of the Issuer Debt Service Payment Account, be transferred to the Issuer Debt Service Payment Account; and
 - (ii) be applied immediately in payment of such due but unpaid Liabilities in the order set out in paragraph 6.5.1 (*Pre-Enforcement Priority of Payments*) above.

6.6 Definitions

“Account Bank Termination Events” has the meaning given to in in the Issuer Accounts Agreement.

“Issuer Accounts” means each of the Issuer Debt Service Payment Account, the Issuer Transaction Account, the Issuer Expenses Reserve Account, the Issuer Profit Account and the Credit Support Accounts (and any successor accounts and any sub-accounts into which any such account may be subdivided in accordance with the Issuer Accounts Agreement) the details of which are set out in schedule 1 (*Accounts Details*) to the Issuer Accounts Agreement.

“Credit Support Accounts” means each bank account that the Issuer holds with the Account Bank for receipt of collateral from the relevant RPI Swap Provider, including any securities accounts to be opened at the request of any RPI Swap Provider, the details of which are set out in the Issuer Accounts Agreement.

“Cash Management Services” means the obligations of the Cash Manager set out in Schedule 4 (*Cash Management Services*) of the Issuer Accounts Agreement.

“Issuer Profit Account” means the account into which the retained profits of the Issuer pursuant to the Pre-Enforcement Priority of Payments are deposited, the details of which are set out in the Issuer Accounts Agreement.

“Qualifying Account Bank” means any bank which is an authorised institution (for the purpose of FSMA) and whose short term debt is rated at least A-1 by S&P and P-1 by Moody’s and whose long

term debt is rated at least A+ by S&P and A1 by Moody's or, in the case of a bank whose long term debt is not so rated, a bank of equivalent standing approved in writing by the Controlling Creditor.

7 Paying Agency Agreement

Payments in respect of the Bonds will be made pursuant to the paying agency agreement (the "**Paying Agency Agreement**", which expression includes any modification or supplement thereto) to be entered into on or before the Issue Date between the Issuer, the Financial Guarantors, the Bond Trustee and the Principal Paying Agent.

8 RPI Swap Agreement

The Issuer has entered into the RPI Swap Agreement in order to hedge the Issuer's exposure to changes in inflation in respect of the Fixed Rate Bonds. The RPI Swap Agreement contains certain ongoing rating requirements in respect of the RPI Swap Provider and provide for the issue of an RPI Swap Guarantee in certain circumstances, each as described below.

8.1 Issue of RPI Swap Guarantee

At any time following the occurrence of:

- 8.1.1 an Insolvency Event in respect of the Issuer, or
- 8.1.2 an Acceleration Date,

the Financial Guarantors, so long as their long term debt is rated at least BBB by S&PGR or the equivalent by at least one other Alternative Rating Agency, shall have the right but not the obligation to provide or cause to be provided an RPI Swap Guarantee to the RPI Swap Provider and such RPI Swap Provider shall accept such RPI Swap Guarantee, provided that such RPI Swap Guarantee is on terms satisfactory to the RPI Swap Provider acting reasonably and (i) in the case of 8.1.2 above, is in place within 45 days after the Acceleration Date and (ii) in the case of 8.1.1 above, is in place prior to the deadline by which creditors must lodge a formal proof of debt in the administration, liquidation or bankruptcy of the Issuer in order to establish a claim against the insolvent estate. If an RPI Swap Guarantee has been provided in accordance with these provisions, the RPI Swap Provider shall not have the right to terminate or close out any Transaction unless and until the provider of the RPI Swap Guarantee defaults on a payment due on the RPI Swap while there is an RPI Swap Guarantee in place.

8.2 RPI Swap Provider Rating Requirements

- 8.2.1 The initial RPI Swap Provider, on entry into the RPI Swap Agreement, shall have a long-term senior, unsecured indebtedness rating of at least A from S&P and A2 from Moody's.
- 8.2.2 Any RPI Swap Provider shall, at all times when it has a long-term senior, unsecured indebtedness rating lower than A- from S&P or lower than A3 from Moody's, pay amounts into the applicable Credit Support Accounts in accordance with the terms of the Issuer Security Trust and Intercreditor Deed and the Credit Support Annex.
- 8.2.3 If at any time the RPI Swap Provider's long-term senior, unsecured indebtedness rating falls below BBB from S&P or Baa2 from Moody's, the RPI Swap Provider shall be obliged to:
 - (a) novate all of its rights, obligations and benefits under and in respect of the relevant RPI Swap Provider to another swap counterparty;
 - (b) provide a guarantee from a guarantor with a long-term senior, unsecured indebtedness rating of at least A from S&P and at least A2 from Moody's in form and substance satisfactory to the Controlling Creditor; or

- (c) take such other action as agreed between the Controlling Creditor and the RPI Swap Provider,

in each case, within 45 calendar days in accordance with the provisions of clause 7.5 (*Transfer of RPI Swaps*) of the Issuer Security Trust and Intercreditor Deed.

9 Rights and responsibilities of the Bond Trustee

The Bond Trust Deed, *inter alia*, provides as follows:

- (i) the Bond Trustee shall be under no obligation to monitor or supervise the functions of any other person or the operation of any account opened pursuant to the Issuer Finance Documents or the performance or observance of any obligation under any Finance Document or to consider the basis on which any approval or consent is granted by any party to the Issuer Finance Documents, and shall be entitled, in the absence of notice in writing of a breach of obligation, to assume that each such person is properly performing its obligations. In particular, the Bond Trustee shall not be bound to take any steps to ascertain whether any Event of Default, Potential Event of Default, Financial Guarantor Default or Financial Guarantor Downgrade Event has occurred and, until it has notice in writing to the contrary, the Bond Trustee shall be entitled to assume that no such event has occurred and that such person is properly performing its obligations. The Bond Trustee may rely and act upon any notice from either Financial Guarantor or the Majority Creditor (acting in its capacity as Controlling Creditor) that an Event of Default has occurred and any instructions from either Financial Guarantor to declare the Bonds immediately due and payable without any liability for any loss which might be suffered by the Issuer, the Bondholders or Couponholders if the same is later shown to be incorrect;
- (ii) the Bond Trustee is under no obligation to investigate nor is it responsible or liable for any loss arising as a result of any failure to make or cause to be made on its behalf any of the searches, investigations or enquiries which would normally be made by a prudent chargee in relation to such security or the assets secured or to investigate the legality, validity, value, sufficiency or enforceability of the security created by the Issuer Security Documents or of the Bond Financial Guarantees, or the validity or enforceability of any contracts over which such security is created or of the Bond Financial Guarantees and the Bond Trustee shall accept without investigation, requisition or objection and without any responsibility or liability for doing so such right and title as the Issuer or any other person may have to the property, assets and rights over which security is created pursuant to the Issuer Security Documents. The Bond Trustee will not be responsible for or liable for loss which results should any deficiency arise between the amount realised in respect of the property, assets and rights over which security is given by the Issuer Security Documents and sums due in respect of the Bonds because the Bond Trustee is liable to tax in respect of the property, assets and rights over which such security is created;
- (iii) the Bond Trustee (unless it shall expressly be required to take such action or exercise such right, power, authority or discretion by the Bond Trust Deed, the Issuer Security Trust and Intercreditor Deed, the Bond Financial Guarantees or the other Issuer Finance Documents to which it is a party) shall refrain from taking any action or exercising any right, power, authority or discretion vested in it under the Bond Trust Deed, the Issuer Security Trust and Intercreditor Deed, the Bond Financial Guarantees and the other Issuer Finance Documents to which it is a party unless and until it shall have been instructed or directed to take such action or to exercise such right, power, authority or direction by the Controlling Creditor; and
- (iv) the Bond Trustee shall not be obliged to take any action unless it is prefunded and/or indemnified and/or secured to its satisfaction in respect of any loss, cost or expense.

TERMS AND CONDITIONS OF THE BONDS

The following is the text, subject to completion and minor amendment and save for the text in italics (other than headings), of the terms and conditions which will be endorsed on each Bond in definitive form. Bonds in definitive form will only be issued in certain limited circumstances. For a summary of the provisions of the Bonds in global form, see the section “Summary of Provisions relating to the Bonds while in Global Form”.

The issue of the £327,478,000.00 0.1000 per cent. Index-Linked Guaranteed Secured Bonds due 2039 (the “**Bonds**”), was authorised by a resolution of the board of directors of QAH Finance Plc (the “**Issuer**”) passed on 14 April 2021. The Bonds are subject to, and have the benefit of, a bond trust deed dated the Issue Date (as defined in Condition 4 (*Interest*)) (as amended or supplemented from time to time, the “**Bond Trust Deed**”) between the Issuer, Assured Guaranty UK Limited (“**AGUK**”), Assured Guaranty Municipal Corp. (“**AGM**”), (AGUK and AGM acting in their capacities as the “**Bond Financial Guarantors**”) and HSBC Corporate Trustee Company (UK) Limited as Bond Trustee (the “**Bond Trustee**”, which expression includes all persons for the time being acting as bond trustee or bond trustees appointed under the Bond Trust Deed). These terms and conditions (the “**Conditions**”) include summaries of and are subject to the detailed provisions of the Bond Trust Deed which includes the form of the Bonds and the Coupons (as defined below) relating to them and the security trust and intercreditor deed dated on or before the Issue Date (as amended, supplemented or replaced from time to time, the “**Issuer Security Trust and Intercreditor Deed**”) between, among others, the Issuer, Issuer HoldCo, AGUK, AGM, the Bond Trustee and HSBC Corporate Trustee Company (UK) Limited as security trustee (the “**Security Trustee**”, which expression includes all persons for the time being acting as security trustee or security trustees appointed under the Issuer Security Trust and Intercreditor Deed).

The Bonds (excluding those Bonds held by or on behalf of the Issuer or Issuer HoldCo or any of their Affiliates) are unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (in each case adjusted for indexation, but excluding any amounts due in respect of the Bonds (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason; (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof; (iii) attributable to any default interest; (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, “spens”, any make-whole amount or similar types of payments payable in respect of the Bonds; or (v) in respect of which AGM or AGUK has made an Accelerated Payment (as defined in the relevant Bond Financial Guarantee) on or prior to a Scheduled Payment Date) in respect of the Bonds, pursuant to a financial guarantee to be dated the Issue Date issued by AGUK (the “**AGUK Bond Financial Guarantee**”) and a financial guarantee dated the Issue Date issued by AGM (the “**AGM Bond Financial Guarantee**”) and, together with the AGUK Bond Financial Guarantee, the “**Bond Financial Guarantees**”). Any Bonds held by or on behalf of the Issuer or Issuer HoldCo or any of their Affiliates will not have the benefit of the Bond Financial Guarantees.

Payments in respect of the Bonds will be made pursuant to a paying agency agreement dated the Issue Date (as amended or supplemented from time to time, the “**Paying Agency Agreement**”) between the Issuer, the Bond Trustee, HSBC Bank Plc as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed under the Paying Agency Agreement and together with any additional or successor paying agents appointed under the Paying Agency Agreement, the “**Paying Agents**”).

The holders of the Bonds (the “**Bondholders**”) and the holders of the related principal and interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively) will be entitled to the benefit of, will be bound by and are deemed to have notice of, all the provisions of the Bond Trust Deed, the Bond Financial Guarantees, the Issuer

Security Trust and Intercreditor Deed, the Issuer Security Documents and the Paying Agency Agreement applicable to them.

Copies of the Bond Trust Deed, the Bond Financial Guarantees, the Issuer Security Trust and Intercreditor Deed, the other Issuer Security Documents and the Paying Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Bond Trustee presently at 8 Canada Square, London, E14 5HQ and at the specified offices of each of the Paying Agents.

Capitalised terms used in these conditions have the meanings given to them in the Issuer Security Trust and Intercreditor Deed unless otherwise defined.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Bonds are in bearer form, serially numbered, in denominations of £100,000 and integral multiples of £1,000 in excess thereof with Coupons for principal and interest and talons (each a “**Talon**”) for further Coupons attached at the time of issue. Bonds of one denomination will not be exchangeable for Bonds of any other denomination.

(b) *Title*

Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, Coupon or Talon shall (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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2 Status, Bond Financial Guarantees and Security

(a) *Status of the Bonds*

The Bonds constitute direct, secured obligations of the Issuer which rank *pari passu* and rateably without any preference or priority among themselves and will rank in priority to all unsecured obligations of the Issuer, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

(b) *Bond Financial Guarantees*

The Bonds (excluding those Bonds held by or on behalf of the Issuer or Issuer HoldCo or any of their Affiliates) will have the benefit of the Bond Financial Guarantees under which (i) AGUK has unconditionally and irrevocably agreed to pay to the Bond Trustee 15 per cent. of all sums due and payable but unpaid by the Issuer in respect of scheduled principal and interest on the Bonds and (ii) AGM has unconditionally and irrevocably agreed to pay to the Bond Trustee (A) the remaining 85 per cent. of the aforementioned sums, and (B) any sums due and payable but unpaid by AGUK, all as more particularly described in the Bond Financial Guarantees.

A “**Financial Guarantor Downgrade Event**” means at any time while the Bonds remain outstanding, both:

- (i) AGM’s insurer financial strength rating by Moody’s ceases to be at least “Baa3”; and
- (ii) AGM’s insurer financial strength rating by S&PGR ceases to be at least “BBB-”;

provided, that during such time, if any, as AGM's insurer financial strength is not rated by Moody's and not rated by S&PGR, then a "**Financial Guarantor Downgrade Event**" means at any time while the Bonds remain outstanding, that AGM's insurer financial strength rating is not rated at least "BBB-" or the equivalent by at least one other credit rating agency which is registered with the United States Securities and Exchange Commission as a nationally recognised statistical rating organisation (such rating agency during such time, an "**Alternative Rating Agency**").

If (i) a Financial Guarantor Downgrade Event has occurred and is continuing; and (ii) a Guarantee Decision has been passed, the Bond Trustee (acting on the instructions of the Bondholders) shall, subject to being prefunded and/or indemnified and/or secured to its satisfaction by the Bondholders, issue a notice (the "**Financial Guarantor Removal Notice**") to the Financial Guarantors specifying that, unless the Financial Guarantor Downgrade Event has been remedied or waived by the date that is three calendar months after the date of delivery of the Financial Guarantor Removal Notice (the "**Financial Guarantor Removal Date**" being, to the extent that the Financial Guarantor Downgrade Event has not been remedied or waived, prior thereto, the date that is three calendar months after the date of delivery of the Financial Guarantor Removal Notice), each of the Bond Financial Guarantees and the Loan Financial Guarantees shall be unconditionally and irrevocably terminated and cancelled in whole (and not in part) effective on and from the Financial Guarantor Removal Date and no further claim may be made on the Bond Financial Guarantees or Loan Financial Guarantees on and from the Financial Guarantor Removal Date and any such further claim shall be null and void and of no force or effect and the term of the Bond Financial Guarantees shall be deemed to have expired.

Where a Financial Guarantor Downgrade Event has occurred, the Financial Guarantors may remedy such Financial Guarantor Downgrade Event and the related Financial Guarantor Removal Notice by transferring the AGM Bond Financial Guarantee to an affiliate of AGM that is rated at least "Baa3" by Moody's or "BBB-" by S&PGR (or, if prior to such remedy, AGM was relying on the rating of an Alternative Rating Agency, by transferring the AGM Bond Financial Guarantee to an affiliate of AGM that is rated at least "Baa3" by Moody's or "BBB-" by S&PGR or "BBB-" or the equivalent by such Alternative Rating Agency) at any time prior to the Financial Guarantor Removal Date in which case the Financial Guarantor Downgrade Event shall be deemed to have been remedied.

The Issuer will immediately notify the Bondholders upon (A) any remedy or waiver of a Financial Guarantor Downgrade Event (including by way of transfer of the Bond Financial Guarantees) or (B) termination of the Bond Financial Guarantees and the Loan Financial Guarantees pursuant to this Condition 2(b).

(c) *Removal of Bond Financial Guarantees and Loan Financial Guarantees*

If a continuing Financial Guarantor Downgrade Event has not been remedied or waived prior to the Financial Guarantor Removal Date, on the Financial Guarantor Removal Date:

- (i) the Issuer shall pay to the Financial Guarantors an amount equal to (A) any and all amounts paid by the Bond Financial Guarantors under the Bond Financial Guarantees; (B) any and all other amounts due and payable in accordance with the Issuer Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses; (C) all amounts paid by the Loan Financial Guarantors under the Loan Financial Guarantees; (D) any and all other amounts due and payable in accordance with the ProjectCo Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses; (E) any and all Bond Financial Guarantee Fees due and payable in accordance with the Bond Financial Guarantee Fee Letters; (F) any and all Loan Financial Guarantee Fees due and payable in accordance with each

Loan Financial Guarantee Fee Letter; (G) any other amounts of any nature whatsoever due and payable to the Financial Guarantors pursuant to the Issuer Finance Documents and the Loan Finance Documents (such amounts collectively the “**Financial Guarantor Removal Payments**”), as set forth in a notice in writing delivered to the Obligors and the Security Trustee by the Financial Guarantors;

- (ii) the Bond Financial Guarantees and the Loan Financial Guarantees shall be unconditionally and irrevocably terminated and cancelled in whole (and not in part) and shall cease to have any further force or effect and the term of the Bond Financial Guarantees and the Loan Financial Guarantees shall be deemed to have expired; and
- (iii) all Issuer Finance Documents and Loan Finance Documents (including to the extent the Financial Guarantor Removal Payments have not been finally and irrevocably paid in full on the Financial Guarantor Removal Date, the Issuer Reimbursement and Indemnity Deed, the ProjectCo Reimbursement and Indemnity Deed, the Bond Financial Guarantee Fee Letters and the Loan Financial Guarantee Fee Letters) other than the Bond Financial Guarantees and the Loan Financial Guarantees shall continue in full force and effect.

If and to the extent that the Financial Guarantor Removal Payments have not been finally and irrevocably paid in full on the Financial Guarantor Removal Date by the Issuer, the Financial Guarantors shall be entitled to charge and receive from the Issuer interest on all Financial Guarantor Removal Payments (on and from the Financial Guarantor Removal Date until the Financial Guarantor Removal Effective Date) at the rate and in the amount specified in the Issuer Reimbursement and Indemnity Deed and/or the ProjectCo Reimbursement and Indemnity Deed, as applicable with respect to interest charged and payable on unpaid amounts. The Financial Guarantors’ rights to be paid the Financial Guarantor Removal Payments will, in accordance with the order of priority of payments set out in the Issuer Accounts Agreement (if prior to any Enforcement) and the Issuer Security Trust and Intercreditor Deed (if after Enforcement), be paid in priority to the payment of all amounts due to the Bondholders and shall survive the termination of the Bond Financial Guarantees and the Loan Financial Guarantees and continue in full force and effect on and from the Financial Guarantor Removal Date until the Financial Guarantor Removal Effective Date shall have occurred.

For the purposes of paragraph (b)(i) of the definition of Controlling Creditor, no termination of the Bond Financial Guarantees or Loan Financial Guarantees shall occur until the Financial Guarantor Removal Effective Date (and not on the occurrence of the Financial Guarantor Removal Date).

If the rating of the Bonds by Moody’s is less than “Baa3” or is withdrawn, then the Bond Financial Guarantors may request the Issuer obtains, and the Issuer shall use reasonable endeavours to obtain within two months of such date, (A) an underlying rating for the Bonds from S&PGR at the cost of AGM and (B) that the underlying rating of the Bonds by Moody’s is withdrawn.

If the Financial Guarantor Removal Effective Date in respect of the Loan Financial Guarantees has occurred, the Loan Financial Guarantee Fees shall cease to accrue and any sum received by the Issuer pursuant to the Loan Facilities Agreement in relation to ongoing fees that would otherwise have been payable by the Borrower to the Loan Financial Guarantors in relation to the Loan Financial Guarantees shall be payable to Bondholders in accordance with the Issuer Accounts Agreement and in such manner as the Bond Trustee shall approve.

The Issuer will immediately notify the Bondholders (i) upon any remedy or waiver of a Financial Guarantor Downgrade Event (including by way of transfer of the AGM Bond Financial Guarantee) or (ii) termination of the Bond Financial Guarantees and the Loan Financial Guarantees pursuant to this Condition 2(c), in accordance with Condition 17 (*Notices*) of the occurrence of such event.

“**Financial Guarantor Removal Effective Date**” means the date on which the Financial Guarantors (acting reasonably) have notified the Obligors, the Security Trustee and the Bond Trustee in writing that the Financial Guarantor Removal Payments have been finally and irrevocably paid in full.

(d) *Status of Bond Financial Guarantees*

The AGUK Bond Financial Guarantee provided by AGUK constitutes a direct, unsecured obligation of AGUK which will rank at least *pari passu* with all other unsecured obligations of AGUK, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The AGM Bond Financial Guarantee provided by AGM constitutes a direct, unsecured obligation of AGM which will rank at least *pari passu* with all other unsecured obligations of AGM, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(e) *Subrogation of the Financial Guarantors*

The Bond Trust Deed and the Bond Financial Guarantees each provide that the Bond Financial Guarantors shall be subrogated to the rights of the Bond Trustee and each Bondholder and Couponholder in respect of amounts due under the Bonds which have been paid under the AGUK Bond Financial Guarantee and the AGM Bond Financial Guarantee.

(f) *Security*

The obligations of the Issuer under the Bonds have the benefit of the security constituted by (i) a fixed and floating charge English law debenture dated on or before the Issue Date granted by the Issuer in favour of the Security Trustee (the “**Issuer Debenture**”) and (ii) a fixed and floating charge English law debenture (including a charge of the shares in the Issuer) dated on or before the Issue Date granted by Issuer HoldCo in favour of the Security Trustee (the “**Issuer HoldCo Debenture**”) (together with the Issuer Security Trust and Intercreditor Deed, any other document from time to time executed in favour of the Security Trustee for the purpose of securing all or any of the Secured Obligations and any deed of accession entered into in respect of any of the above, the “**Issuer Security Documents**”).

(g) *Issuer Security Trust and Intercreditor Deed and the Controlling Creditor*

The Bonds are subject to the Issuer Security Trust and Intercreditor Deed pursuant to which the exercise by the Bond Trustee of rights under the Bond Trust Deed and under the Bonds may in certain circumstances be directed by, and is in most circumstances subject to the prior consent of, other parties to the Issuer Security Trust and Intercreditor Deed. Bondholders and Couponholders are bound by, and deemed to have notice of, all the provisions of the Issuer Security Trust and Intercreditor Deed.

The Controlling Creditor has the exclusive right, power and authority to direct, or to refrain from directing, the Secured Creditors and the Security Trustee in the exercise of the Financing Rights subject to Reserved Matters or Entrenched Rights (as each term is defined in the Issuer Security Trust and Intercreditor Deed), in each case without regard to the interests of any other person and the Controlling Creditor will not owe fiduciary duties to any person.

When exercising the Financing Rights in accordance with the instructions of the Controlling Creditor, the Security Trustee is not required to have regard to the interests of the Bondholders in relation to the exercise of such rights and has no liability to the Bondholders as a consequence of so acting.

(h) *Effect on Bondholders and Couponholders*

The Bondholders and the Couponholders have the benefit of and are deemed to have notice of all the provisions of the Issuer Security Documents, the Issuer Security Trust and Intercreditor Deed, the Bond

Financial Guarantees, the Bond Trust Deed, the Paying Agency Agreement and the other Issuer Finance Documents to which the Bond Trustee or the Security Trustee are party.

(i) *Instalment Option*

For the purposes of this Condition 2:

“**Project Agreement**” means an agreement dated 15 December 2005 between ProjectCo and the Trust relating to the redevelopment of Queen Alexandra Hospital Cosham, which has been amended on or about the date of the Bond Trust Deed.

“**ProjectCo**” means The Hospital Company (QAH Portsmouth) Limited

“**Trust**” means Portsmouth Hospitals University National Health Service Trust.

As soon as practicable after, and in any event within ten (10) Business Days of receipt of notice from the Trust of termination of the Project Agreement by the Financial Guarantors, the Financial Guarantors shall notify the Issuer, ProjectCo, the Bond Trustee and the Security Trustee and thereafter upon request by the Trust, shall notify the Trust of:

- (i) any amount if due to the Bond Financial Guarantors being an amount equal to: (a) any and all amounts paid by them under the Bond Financial Guarantees (to the extent unreimbursed); (b) any and all other amounts due and payable in accordance with the Issuer Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses; (c) any and all Bond Financial Guarantee Fees due and payable in accordance with the Bond Financial Guarantee Fee Letters as set forth in a notice in writing delivered to ProjectCo, the Obligors and the Security Trustee by the Bond Financial Guarantors; and
- (ii) any amount if due to the Loan Financial Guarantors being an amount equal to: (a) any and all amounts paid by them under the Loan Financial Guarantees (to the extent unreimbursed); (b) any and all other amounts due and payable in accordance with the ProjectCo Reimbursement and Indemnity Deed including without limitation, indemnifications, gross up, taxes, reimbursements, interest, charges, fees, costs and expenses,

(the amounts specified in clauses (i) and (ii) above being collectively referred to as the “**Financial Guarantor Reimbursement Amounts**”).

The Trust shall only be entitled to exercise its option to pay Compensation on Termination in instalments pursuant to schedule 23 of the Project Agreement (the “**Instalment Option**”) if at the time it wishes to do so:

- (1) the Financial Guarantors have in turn notified the Trust, the Issuer, ProjectCo, the Bond Trustee and the Security Trustee in writing that they have elected to keep the Bond Financial Guarantees and the Loan Financial Guarantees in place, in which event the Trust may thereafter exercise the Instalment Option; or
- (2) either: (a) the Financial Guarantors have in turn notified the Trust, the Issuer, the Bond Trustee and the Security Trustee in writing that they have elected to terminate the Bond Financial Guarantees and the Loan Financial Guarantees; or (b) 10 Business Days have lapsed from the Financial Guarantor’s receipt of a notice from the Trust of its intention to exercise the Instalment Option and the Financial Guarantors have not provided a written notice in response; and (c) whether the notice electing to terminate the Bond Financial Guarantees and the Loan Financial Guarantees is issued by the Financial Guarantors or no notice is issued within the 10 Business Day period by the Financial

Guarantors, no Financial Guarantor Reimbursement Amounts are outstanding to the Financial Guarantors (the “**Financial Guarantor Election Notice Date**” being the last to occur of: (i) the date on which the notice is issued; or (ii) if no notice is issued, the date on which the 10 Business Day period lapses; or (iii) the date on which all Financial Guarantor Reimbursement Amounts are paid to the Financial Guarantors).

On the Financial Guarantor Election Notice Date:

1. the Trust shall be entitled to exercise the Instalment Option by notice to the Financial Guarantors, ProjectCo and the Issuer (the “**Instalment Option Exercise Notice**”);
2. the Bond Financial Guarantees and the Loan Financial Guarantees shall be immediately unconditionally and irrevocably terminated and cancelled in whole (and not in part) and shall immediately cease to have any further force or effect and the term of the Bond Financial Guarantees and the Loan Financial Guarantees shall be deemed to have expired; and
3. the Trust shall pay the Loan Financial Guarantors the make-whole amount due and payable in accordance with the Loan Financial Guarantee Fee Letters (the “**Loan Financial Guarantor Makewhole Amount**”) within 10 Business Days after the date of the Instalment Option Exercise Notice, as set forth in a notice in writing delivered to ProjectCo, the Obligors and the Security Trustee by the Loan Financial Guarantors.

Notwithstanding the termination and cancelation of the Bond Financial Guarantees and the Loan Financial Guarantees as provided above, for the purposes of paragraph (b)(i) of the definition of Controlling Creditor under the Issuer Security Trust and Intercreditor Deed and the Project Security Trust and Intercreditor Deed, termination shall be deemed to occur on the date on which the Financial Guarantors have notified the Trust, the Issuer, ProjectCo, the Bond Trustee and the Security Trustee in writing that the Loan Financial Guarantors have received the Loan Financial Guarantor Makewhole Amount (the “**Financial Guarantor Elected Removal Effective Date**”). If the Trust fails to pay the Loan Financial Guarantors the Loan Financial Guarantor Makewhole Amount within the period specified above, the Financial Guarantors may direct ProjectCo to, and if so directed ProjectCo shall, issue a notice to the Trust declaring any unpaid element of the termination compensation required to be paid by the Trust pursuant to schedule 23 of the Project Agreement immediately due and payable.

3 Covenants of the Issuer

The Issuer shall perform all its obligations and exercise all its rights under and in accordance with the Issuer Finance Documents. In particular, the Issuer has undertaken to:

- (a) provide a report to Bondholders either through an electronic website or through the Principal Paying Agent via the relevant bond clearing system, substantially in the form set out in Schedule 6 (*Bondholder Report*) to the Bond Trust Deed following the Issue Date, (i) if and for so long as the Bond Financial Guarantors are the Controlling Creditor, semi-annually on or before the date which is 20 Business Days prior to any Scheduled Payment Date; and (ii) if and for so long as the Majority Creditor is the Controlling Creditor semi-annually on or before the date which is 20 Business Days prior to any Scheduled Payment Date;
- (b) subject to the Issuer Security Trust and Intercreditor Deed, use its reasonable endeavours to maintain in place arrangements with the Rating Agency for it to provide a rating on the Bonds;
- (c) procure and thereafter maintain the listing of the Bonds on the London Stock Exchange or, if it is unable to do so having used all reasonable endeavours or if it is unduly burdensome to maintain such listing, it shall obtain and maintain the listing of the Bonds on such other stock exchange, which shall be in any

case a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007, as it may decide, with the prior written approval of the Controlling Creditor; and

- (d) procure that there will at all times be furnished to any stock exchange on which the Bonds are for the time being listed such information as such stock exchange may require to be furnished in accordance with its normal requirements or in accordance with any arrangements for the time being made with any such stock exchange.

4 Interest

(a) *Interest and Interest Periods*

The Bonds bear interest from and including 22 April 2021 (the “**Issue Date**”) until the end of the Final Interest Period at the rate of 0.1000 per cent. per annum (the “**Rate of Interest**”), payable on each Scheduled Payment Date in arrear (“**Scheduled Interest**”). Each period beginning on (and including) the Issue Date or any Interest Period Date and ending on (but excluding) the next Interest Period Date is herein called an “**Interest Period**”. The amount of interest payable in respect of each Bond shall be calculated by the Principal Paying Agent per £1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any Interest Period shall be equal to the product of the Rate of Interest, the Calculation Amount and the relevant Day Count Fraction, and adjusting for indexation in accordance with Condition 7 (*Indexation*) and rounding the resulting figure to the nearest penny (half a penny being rounded upwards), where:

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”), the actual number of days in the Calculation Period divided by 365.

“**Final Interest Period**” means the final long Interest Period beginning on (and including) 31 March 2039 and ending on (but excluding) 18 October 2039.

“**Interest Period Date**” means (i) firstly, 30 September 2021; and (ii) thereafter, 31 March and 30 September each year, subject to the Final Interest Period up to (but excluding) 18 October 2039.

(b) *Scheduled Payment Dates*

Scheduled Interest will be payable semi-annually in arrear on each scheduled payment date listed in Condition 9(a) (*Scheduled Payments*) (each, a “**Scheduled Payment Date**”), subject as provided in Condition 9 (*Payments and Exchange of Talons*). The first Scheduled Payment Date will be on 18 October 2021 in respect of the Interest Period from, and including the Issue Date to, but excluding 30 September 2021.

5 Default Interest

(a) *Default Interest*

The Outstanding Principal Amount of each Bond will cease to bear interest (adjusted for indexation in accordance with Condition 7 (*Indexation*)) from the Scheduled Payment Date for the payment of such principal amount (or part thereof) unless, upon due presentation, payment is improperly withheld or refused, in which case the unpaid amount will bear default interest (“**Default Interest**”) at the Rate of Interest (adjusted for indexation) (after as well as before judgment) until whichever is the earlier of:

- (i) the day on which all principal sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder; and

- (ii) the day which is seven days after the Principal Paying Agent or the Bond Trustee has notified the Bondholders that it has received all principal sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment in which case interest shall continue to accrue on any principal amount until such principal amounts are received by or on behalf of the relevant Bondholders).

(b) *Default Interest Payment*

Accrued Default Interest shall be payable prior to the final Scheduled Payment Date on each date (each a “**Default Interest Payment Date**”) on which any amount of Scheduled Principal (as defined in Condition 6(a) (*Scheduled Redemption*)) remains unpaid and which is an integral multiple of six months after the due date for payment of such Scheduled Principal or upon any earlier date upon which Scheduled Principal becomes due in accordance with the conditions. Any amounts of Default Interest arising after the final Scheduled Payment Date shall be immediately due and payable. Each period beginning on (and including) the date on which the relevant payment is improperly withheld or refused or any Default Interest Payment Date and ending on (but excluding) the next Default Interest Payment Date is herein called a “**Default Interest Period**”.

(c) *Default Interest Calculation*

The amount of Default Interest payable in respect of each Bond for any Default Interest Period shall be calculated by the Principal Paying Agent on the basis of the Day Count Fraction.

Default Interest does not accrue on Scheduled Interest that is paid on Default Interest. The payment of Default Interest is not guaranteed by the Bond Financial Guarantors under the Bond Financial Guarantees.

6 Redemption and Purchase

Early redemption of the Bonds for whatever reason does not accelerate AGUK and/or AGM’s payment obligation under the Bond Financial Guarantees. AGUK and/or AGM shall only be liable to make payments in respect of the Bonds (pursuant to the Bond Financial Guarantees) in the amounts and on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

(a) *Scheduled Redemption*

Unless previously redeemed, or purchased and cancelled the Issuer will redeem the Bonds in instalments by the payment on each Scheduled Payment Date of the scheduled principal (which, in respect of each £1,000 in aggregate principal amount of Bonds will be the relevant amount set out in Condition 9(a) (*Scheduled Payments*) under “**Scheduled Principal**” (the “**Scheduled Principal**”)).

Payments of Scheduled Principal will be adjusted for indexation in accordance with Condition 7 (*Indexation*). The first instalment will be payable on the Scheduled Payment Date falling in October 2021. The final Scheduled Payment Date is the Scheduled Payment Date falling in October 2039. For the avoidance of doubt, the Outstanding Principal Amount of each Bond will be reduced for each payment of principal on the Scheduled Payment Dates as provided in Condition 9 (*Payments and Exchange of Talons*) and such payment will not result in a reduction of the number of Bonds in issue.

(b) *Redemption at the option of the Issuer*

The Issuer may at any time, with the prior written approval of the Bond Financial Guarantors if they are the Controlling Creditor, having given not less than 30 nor more than 60 days’ notice of redemption to

the Bondholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds), redeem each of the Bonds in whole, but not in part, at an amount (the “**Early Redemption Price**”) equal to the Outstanding Principal Amount of that Bond multiplied by the higher of the following:

- (i) the Index Ratio applicable to the month in which redemption takes place (an Index Ratio of 1 being expressed as 100 per cent.); and
- (ii) the price (as reported to the Bond Trustee and the Issuer by the Indexation Adviser) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield (as defined in Condition 6(f) (*Definitions*)) of such Bonds (if the Bonds were to remain outstanding to their original maturity) on the Reference Date (as defined below) would be equal to the Gross Redemption Yield (determined by the middle-market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Gilt (as defined in Condition 6(f) (*Definitions*)), together with (a) any payment of principal and interest due but unpaid on or prior to the Reference Date and (b) any interest (other than under (a)) accrued up to and including the date of redemption, all adjusted for indexation in accordance with Condition 7 (*Indexation*).

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem each of the Bonds at the Early Redemption Price.

For the purposes of this Condition 6(b), “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 6(b) (for the purposes of this Condition 6(b), in the notice given by the Issuer).

To the extent that the amount described under this Condition 6(b)(ii) exceeds the amount described under Condition 6(b)(i), payment of the excess is not guaranteed by the Bond Financial Guarantors under the Bond Financial Guarantees.

- (c) *Redemption following certain lump sum mandatory prepayment events under the Loan Facilities Agreement (with full spens)*

If the Loan falls due to be prepaid in accordance with clauses 7.2 (*Voluntary prepayment*) and 7.3.3 of the Loan Facilities Agreement, the Issuer shall promptly notify the Bond Financial Guarantors, the Bond Trustee and the Security Trustee of such and, on the date falling at least 1 Business Day after the giving of such notice (and as specified in the notice), shall redeem each of the Bonds in whole, but not in part, at an amount (the “**Full Spens Redemption Price**”) equal to the higher of:

- (i) the Outstanding Principal Amount of such Bond together with (a) any payment of principal and interest due but unpaid on or prior to the Reference Date and (b) any interest (other than under (a)) accrued up to and including the date of redemption; and
- (ii) the Outstanding Principal Amount of such Bond multiplied by the price (as reported to the Bond Trustee and the Issuer by the Indexation Adviser) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield (as defined in Condition 6(f) (*Definitions*)) of such Bond (if the Bonds were to remain outstanding to their original maturity) on the Reference Date (as defined below) would be equal to the Gross Redemption Yield (determined by the middle-market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Gilt (as defined in Condition 6(f) (*Definitions*)),

all adjusted for indexation in accordance with Condition 7 (*Indexation*).

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem each of the Bonds at the Full Spens Redemption Price.

For the purposes of this Condition 6(c), “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 6(c) (for the purposes of this Condition 6(c), in the notice given by the Issuer).

To the extent that the amount described under this Condition 6(c)(ii) exceeds the amount described under Condition 6(c)(i), payment of the excess is not guaranteed by the Bond Financial Guarantors under the Bond Financial Guarantees.

(d) *Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with modified spens)*

If the Loan falls due to be prepaid in accordance with clauses 7.3.2(iv), 7.3.2(v), 7.4.1(iv) and 7.4.1(v) of the Loan Facilities Agreement, the Issuer shall promptly notify the Bond Financial Guarantors, the Bond Trustee and the Security Trustee of such and, on the date falling at least 1 Business Day after the giving of such notice (and as specified in the notice), shall redeem each of the Bonds in whole, but not in part, at an amount (the “**Modified Spens Redemption Price**”) equal to the higher of:

- (i) the Outstanding Principal Amount of such Bond together with (A) any payment of principal and interest due but unpaid on or prior to the Reference Date and (B) any interest (other than under (A)) accrued up to and including the date of redemption; and
- (ii) the Outstanding Principal Amount of such Bond multiplied by the price (as reported to the Bond Trustee and the Issuer by the Indexation Adviser) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield (as defined in Condition 6(f) (*Definitions*)) of such Bond (if the Bonds were to remain outstanding to their original maturity) on the Reference Date (as defined below) would be equal to the Modified Gross Redemption Yield (determined by the middle-market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Gilt (as defined in Condition 6(f) (*Definitions*)),

all adjusted for indexation in accordance with Condition 7 (*Indexation*).

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem each of the Bonds at the Modified Spens Redemption Price.

For the purposes of this Condition 6(d), “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 6(d) (for the purposes of this Condition 6(d), in the notice given by the Issuer).

To the extent that the amount described under this Condition 6(d)(ii) exceeds the amount described under Condition 6(d)(i), payment of the excess is not guaranteed by the Bond Financial Guarantors under the Bond Financial Guarantees.

(e) *Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with no spens)*

If the Loan falls due to be prepaid in accordance with clauses 7.3.1, 7.3.2(i), 7.3.2(ii), 7.3.2(iii), 7.3.2(vi), 7.3.2(vii), 7.4.1(i), 7.4.1(ii), 7.4.1(iii), 7.4.1(vi) and 7.4.1(vii) of the Loan Facilities Agreement, the Issuer shall promptly notify the Bond Financial Guarantors, the Bond Trustee and the Security Trustee of such and, on the date falling at least 1 Business Day after the giving of such notice (and as specified in the notice), shall redeem each of the Bonds in whole, but not in part, at an amount equal to the Outstanding Principal Amount of such Bond together with (a) any payment of principal and interest due

but unpaid on or prior to the Reference Date and (b) any interest (other than under (a)) accrued up to and including the date of redemption, all adjusted for indexation in accordance with Condition 7 (Indexation) (the “**No Spens Redemption Price**”).

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem each of the Bonds at the No Spens Redemption Price.

For the purposes of this Condition 6(e), “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 6(e) (for the purposes of this Condition 6(e), in the notice given by the Issuer).

(f) *Definitions*

For the purposes of this Condition 6:

“**Gross Redemption Yield**” means, a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication “*Formulae for Calculating Gilt Prices from Yields*” published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002 and 16 March 2005, pages 7 to 11 or any replacement therefor.

“**Loan**” means any loan advanced to the Borrower under the Loan Facilities Agreement which remains outstanding at the relevant time.

“**Loan Event of Default**” means any Event of Default, as defined in the Loan Facilities Agreement.

“**Loan Facilities Agreement**” means the loan facilities agreement originally dated 15 December 2005 as amended and restated on or about the Issue Date between the Issuer as lender, The Hospital Company (QAH Portsmouth) Limited as borrower and HSBC Bank Plc as facility agent as amended from time to time.

“**Loan Financial Guarantees**” means the financial guarantees issued by AGUK and AGM in respect of the Loan on or around the date of the Bond Trust Deed.

“**Modified Gross Redemption Yield**” means the Gross Redemption Yield plus 50 basis points.

“**Reference Gilt**” means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange whose duration most closely matches that of the Bonds on the Reference Date as the Indexation Adviser shall determine to be appropriate.

(g) *No other Redemption*

Without prejudice to Condition 11 (*Events of Default*), the Issuer or any Affiliate of the Issuer shall not be entitled to redeem, purchase or cancel the Bonds in whole or in part otherwise than as provided in Conditions 6(a) (*Scheduled Redemption*), 6(b) (*Redemption at the option of the Issuer*), 6(c) (*Redemption following certain lump sum mandatory prepayment events under the Loan Facilities Agreement (with full spens)*), 6(d) (*Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with modified spens)*), 6(e) (*Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with no spens)*) and 6(i) (*Cancellation*).

(h) *Purchase*

The Issuer or any Affiliate of the Issuer may at any time purchase Bonds in the open market or otherwise and at any price, provided that all unmatured Coupons and unexchanged Talons appertaining thereto are purchased therewith. Any purchase by tender by the Issuer shall be made available to all Bondholders alike. Any Bonds so purchased shall be surrendered and cancelled.

(i) *Cancellation*

All Bonds so redeemed or purchased and surrendered for cancellation by the Issuer and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

7 Indexation

(a) *Definitions*

"**Base Index Figure**" means, subject as provided in Condition 8(a) (*Change in base*), the Index Figure relating to September 2021, that is the Index Figure published in February 2021 and relating to January 2021, with the value being 294.6.

"**Index**" or "**Index Figure**" means, subject as provided in Condition 8 (*Changes in circumstances affecting the Index*), the UK All Items Retail Prices Index as published by the United Kingdom Office for National Statistics (January 1987 = 100) contained in the Monthly Digest of Statistics (or contained in any official publication substituted therefor) or any comparable index which may replace the Index including any replacement rate introduced following the reform to the UK All Items Retail Prices Index due in 2030.

Any reference to the Index Figure applicable to a particular month shall, subject as provided in Condition 8 (*Changes in circumstances affecting the Index*) be construed as a reference to the Index Figure published in the Monthly Digest of Statistics in the seventh month prior to that particular month and relating to the month before that of publication.

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure.

"**Indexation Adviser**" means a leading broker, primary dealer or other expert operating in the index-linked gilt market appointed by the Issuer and approved by the Bond Financial Guarantors (so long as the Bond Financial Guarantors are the Controlling Creditor) (each such approval not to be unreasonably withheld or delayed).

"**Outstanding Principal Amount**" means the aggregate principal amount of the Bonds (or, as the context may require, the relevant number thereof or an individual Bond) outstanding for the time being before indexation as described in this Condition 7 as reduced by payments of Scheduled Principal or other amounts in respect of principal (each unadjusted for indexation) in accordance with Condition 6 (*Redemption and Purchase*).

(b) *Application of the Index Ratio*

- (i) Each payment of interest and principal on a Scheduled Payment Date in respect of the Bonds shall be the amount provided in or determined in accordance with the foregoing Conditions, multiplied by the Index Ratio applicable to the month preceding the month in which such payment falls to be made and rounded in accordance with Condition 19 (*Rounding*).

- (ii) Subject to Condition 7(b)(i), each payment of interest and principal in respect of the Bonds shall, except where the context otherwise requires, be the amount provided in or determined in accordance with the foregoing Conditions, multiplied by the Index Ratio applicable to the month in which such payment falls to be made and rounded in accordance with Condition 19 (*Rounding*).

8 Changes in circumstances affecting the Index

(a) *Change in base*

If at any time and from time to time the Index shall be changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect:

- (i) the definition of "**Index**" and "**Index Figure**" (as defined below) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor); and
- (ii) the new Base Index Figure shall be the product of the existing Base Index Figure (each as defined below) and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(b) *Delay in publication of Index*

If the Index Figure which is published in the seventh month and which relates to the eighth month (the "**relevant month**") before the month in which a payment is due to be made in respect of a Loan is not published on or before the fourteenth Business Day before the date (the "**date for payment**") on which such payment is due, the Index Figure applicable to the month in which the date of payment falls shall be:

- (i) such substitute index figure (if any) as the Cash Manager, with the agreement of the Bond Financial Guarantors (for so long as they are the Controlling Creditor), determines to have been published by the Bank of England for the purposes of indexation of payments on any one or more issues of index linked Treasury stock selected by the Indexation Adviser; or
- (ii) if no such determination is made by the Cash Manager within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 8(b)(i) before the date for payment.

Where the provisions of this Condition 8(b) apply, the determination of the Cash Manager as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 8(b)(ii), the Index Figure relating to the relevant month is subsequently published while the Bonds are still outstanding, then:

- (A) in relation to a payment of principal or interest in respect of a Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 8(b)(ii), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and
- (B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(c) *Cessation of or fundamental changes to the Index*

- (i) Subject to Condition 8(d) (*Changes to the Index pursuant to reform*), if (a) the Index has ceased to be published or (b) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, as determined by a notification from the Cash Manager acting solely on the advice of the Indexation Adviser, be materially prejudicial to the interests of the Issuer or the Bondholders, the Cash Manager will give written notice of such occurrence to the Issuer, the Bond Trustee (for and on behalf of the Bondholders), and the Bond Financial Guarantors, (together the “**Parties**”) and the Parties shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the Parties should be left in no better or worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made provided that where such occurrence has led to changes to the Loan Facilities Agreement pursuant to paragraph 3.3 (*Cessation of or fundamental changes to the Index*), Schedule 6 of the Loan Facilities Agreement, the Parties shall agree one or more adjustments to the Index or a substitute index (with or without adjustments) to match the effects of the changes made to the Loan Facilities Agreement, and Condition 8(c)(ii) shall not apply.
- (ii) If the Parties fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as described in Condition 8(c)(i), a bank or other person in London shall be appointed by the Parties, or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 day period referred to above, by the Issuer or Bond Financial Guarantors (as applicable) (in each case, such bank or other person so appointed being referred to as the “**Appointed Expert**”), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the Parties should be left in no better or worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Appointed Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Appointed Expert and of any Indexation Adviser and of any of the Parties in connection with such appointment shall be borne by the Issuer.
- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Parties or as determined by the Appointed Expert pursuant to Condition 8(c)(ii) above, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Issuer and Bond Financial Guarantors agree. Such amendments shall be effective from the date of such notification and binding upon the Parties.

(d) *Changes to the Index pursuant to reform*

If at any time, the provisions in the Loan Facilities Agreement relating to indexation are amended (including, without limitation, due to the 2030 reform of the UK All Items Retail Prices Index) (a “**New Index Figure**”), such New Index Figure shall be used to calculate the Index Ratio from such time as the New Index Figure takes effect under the Loan Facilities Agreement. For the avoidance of doubt, changes to the Index pursuant to this Condition 8(d) shall not trigger Condition 8(c) (*Cessation of or fundamental changes to the Index*) to apply.

9 Payments and Exchange of Talons

(a) Scheduled Payments

The Issuer will in respect of each £1,000 in original principal amount of Bonds then outstanding on each Scheduled Payment Date make a total payment, comprising the relevant payment of Scheduled Interest and, if applicable, the relevant payment of Scheduled Principal (both adjusted for indexation in accordance with Condition 7 (*Indexation*)) on each Scheduled Payment Date:

Without prejudice to Condition 4 (Interest) and Condition 6 (Redemption and Purchase), the figures for Scheduled Interest and Total Payment set out below are intended to illustrate the Scheduled Interest and Total Payment in respect of each £1,000 in original principal amount of the Bonds and are set out unadjusted for indexation. The figures for Scheduled Principal and Outstanding Principal Amount set out below provide the Outstanding Principal Amount (assuming all payments are made on the due date in full) and Scheduled Principal in respect of each £1,000 in original principal amount of the Bonds and are set out unadjusted for indexation.

A. Scheduled Payment Date	B. Scheduled Principal per £1,000 (before indexation)	C. Scheduled Interest per £1,000 (before indexation)	D. Total Payment per £1,000 (before indexation)	E. Outstanding Principal Amount per £1,000
18 October 2021	24.46271	0.44110	24.90381	975.53729
18 April 2022	30.21272	0.48643	30.69915	945.32457
18 October 2022	27.74232	0.47396	28.21628	917.58225
18 April 2023	29.44625	0.45753	29.90378	888.13600
18 October 2023	27.06747	0.44528	27.51275	861.06853
18 April 2024	28.11181	0.43171	28.54352	832.95672
18 October 2024	26.19413	0.41762	26.61175	806.76259
18 April 2025	28.46909	0.40228	28.87137	778.29350
18 October 2025	26.29490	0.39021	26.68511	751.99860
18 April 2026	28.51795	0.37497	28.89292	723.48065
18 October 2026	25.73303	0.36273	26.09576	697.74762
18 April 2027	27.58659	0.34792	27.93451	670.16103
18 October 2027	25.76356	0.33600	26.09956	644.39747
18 April 2028	26.54224	0.32308	26.86532	617.85523
18 October 2028	23.55883	0.30977	23.86860	594.29640
18 April 2029	24.46271	0.29633	24.75904	569.83369
18 October 2029	23.86725	0.28570	24.15295	545.96644
18 April 2030	26.08725	0.27224	26.35949	519.87919
18 October 2030	24.45966	0.26065	24.72031	495.41953
18 April 2031	26.86898	0.24703	27.11601	468.55055
18 October 2031	26.72546	0.23492	26.96038	441.82509
18 April 2032	29.85544	0.22152	30.07696	411.96965
18 October 2032	28.49962	0.20655	28.70617	383.47003

A. Scheduled Payment Date	B. Scheduled Principal per £1,000 (before indexation)	C. Scheduled Interest per £1,000 (before indexation)	D. Total Payment per £1,000 (before indexation)	E. Outstanding Principal Amount per £1,000
18 April 2033	29.90735	0.19121	30.09856	353.56268
18 October 2033	28.85079	0.17727	29.02806	324.71189
18 April 2034	29.55618	0.16191	29.71809	295.15571
18 October 2034	28.43855	0.14798	28.58653	266.71716
18 April 2035	29.28136	0.13299	29.41435	237.43580
18 October 2035	28.18510	0.11904	28.30414	209.25070
18 April 2036	28.99737	0.10491	29.10228	180.25333
18 October 2036	27.04915	0.09037	27.13952	153.20418
18 April 2037	26.58194	0.07639	26.65833	126.62224
18 October 2037	23.60769	0.06348	23.67117	103.01455
18 April 2038	23.21683	0.05137	23.26820	79.79772
18 October 2038	26.94532	0.04001	26.98533	52.85240
18 April 2039	24.97572	0.02635	25.00207	27.87668
18 October 2039	27.87668	0.01535	27.89203	0.00000

- (b) *For the avoidance of doubt, the number of Bonds in issue will not be reduced by the scheduled payments of Scheduled Principal in Column B. Payments of Scheduled Principal (unadjusted for indexation) will reduce the Outstanding Principal Amount of each Bond pro rata. Method of Payment*

Payments in respect of the Bonds by the Issuer will be made only against:

- (i) presentation and surrender of the appropriate Coupons; and
- (ii) in the case of final redemption (provided that payment is made in full) surrender of the relevant Bonds,

at the specified office of any Paying Agent outside the United States by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.

- (c) *Payments subject to Fiscal Laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

- (d) *Unmatured Coupons Void*

On the early redemption in full of any Bond pursuant to Condition 6(b) (*Redemption at the option of the Issuer*), 6(c) (*Redemption following certain lump sum mandatory prepayment events under the Loan Facilities Agreement (with full spens)*), 6(d) (*Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with modified spens)*), 6(e) (*Redemption following certain mandatory prepayment events under the Loan Facilities Agreement (with no spens)*), 6(i) (*Cancellation*)

or 11 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(e) *Payments on Business Days*

If the due date for payment of any amount in respect of any Bond or Coupon is not a Business Day in the place of presentation (and in the case of any payment by transfer to a sterling account in London), the holder shall not be entitled to payment in such place of the amount due until the next following Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) *Payments otherwise than against the Surrender of Coupons*

If a Paying Agent makes a payment in respect of any Bond in circumstances where no Coupon is surrendered, such Paying Agent will endorse on such Bond a statement indicating the amount and date of such payment.

(g) *Fractions*

In respect of any payments to Bondholders any fractions of one pound will be rounded in accordance with Condition 19 (*Rounding*).

(h) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Bonds (each a “**Coupon Sheet**”), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Principal Paying Agent for a further Coupon Sheet excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

10 Taxation

All payments of principal and interest in respect of the Bonds by the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature unless such withholding or deduction is required by law.

In that event, the Issuer shall account to the relevant authorities for the amount to be withheld or deducted and shall make such payment of principal or interest, as the case may be, after such withholding or deduction has been made.

The Issuer shall notify the Bond Trustee of any such withholding or deduction and shall take reasonable measures available to it to avoid such obligation including the replacement of the Principal Paying Agent, the addition, replacement or removal of a Paying Agent or changing the specified office of any Paying Agent. Should the Issuer still be obliged to make the withholding or deduction, it will, on written request from any Bondholder, provide to the Bondholder copies of any documentation or correspondence with the tax authority regarding the deduction or withholding as the Bondholder may reasonably require to assist it to reclaim such deduction or withholding.

The Issuer will not be obliged to make any additional payments to Bondholders or Couponholders in respect of any such withholding or deduction.

Notwithstanding any other provision of the Conditions, any amounts to be paid in respect of the Bonds or Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required

pursuant to an agreement described in section 1471(b) of the US Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

To the extent that the Issuer is obliged to make any such deduction or withholding, there is no obligation on the Bond Financial Guarantors to make good any such amount so deducted or withheld under the Bond Financial Guarantees.

11 Events of Default

The following events shall constitute events of default in respect of the Bonds (each an “**Event of Default**”):

- (a) *Loan Event of Default*: the occurrence of any Loan Event of Default;
- (b) *Non-Payment*: any Bond Financial Guarantor fails to pay the principal of or any interest on any of the Bonds when due under any Bond Financial Guarantee pursuant to the terms of such Bond Financial Guarantee and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest;
- (c) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds, the Bond Trust Deed or any other Issuer Finance Document which default is incapable of remedy or, if in the opinion of the Bond Trustee capable of remedy, is not in the opinion of the Bond Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Bond Trustee;
- (d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 14 days;
- (e) *Insolvency*: the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Bond Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- (f) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Bondholders (such an event, together with each event described in Condition 11(e) (*Insolvency*), an “**Insolvency Event**”),

provided that in the case of Condition 11(c) (*Breach of Other Obligations*) and Condition 11(d) (*Enforcement Proceedings*), the Bond Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

After any Event of Default occurs and is continuing, then:

- (i) if and for so long as the Bond Financial Guarantors are the Controlling Creditor, the Bond Trustee shall, upon being (A) so directed by the Bond Financial Guarantors in accordance with the Bond Trust Deed and the Issuer Security Trust and Interc Creditor Deed; and (B) prefunded, and/or indemnified and/or secured to its satisfaction, declare by written notice to the Issuer that the Bonds are immediately due and payable; or
- (ii) if and for so long as the Majority Creditor is the Controlling Creditor, the Bond Trustee shall upon being (A) so instructed by the Majority Creditor and (B) prefunded and/or indemnified and/or secured to its satisfaction, declare by written notice to the Issuer that the Bonds are immediately due and payable,

whereupon without further action or formality each Bond shall become due and payable at their Outstanding Principal Amount together with accrued interest up to and including the date of redemption adjusted for indexation (the Index Ratio for this purpose being that applicable to the month in which the date on which the notice is given that the Bonds are immediately due and payable falls).

Such an acceleration of sums due on the Bonds does not accelerate AGUK and/or AGM's payment obligation under the Bond Financial Guarantees. AGUK and/or AGM shall only be liable to make payments in respect of the Bonds (pursuant to the Bond Financial Guarantees) on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

While the Bond Financial Guarantors are the Controlling Creditor, save in the circumstances set out explicitly in the Conditions, neither the Bondholders nor the Bond Trustee will have any rights to call for repayment of the Bonds following the occurrence of an Event of Default or for any enforcement of the security for the Bonds unless instructed or directed by the Bond Financial Guarantors.

12 Prescription

Claims for principal and interest shall become void unless the relevant Coupons and/or the relevant Bonds (as the case may be) are presented for payment within five years (in the case of interest) and 10 years (in the case of principal) of the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Bond Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

13 Replacement of Bonds, Coupons and Talons

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, subject to all applicable laws and stock exchange (or other relevant authority) requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

14 Bond Trustee, Security Trustee and Paying Agents

- (a) Under the Bond Trust Deed, the Bond Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and monies received by the Bond Trustee will be applied to pay its liabilities, costs and expenses and other amounts due to it in priority to the claims of the Bondholders. In addition, the Bond Trustee is entitled to enter into business transactions with the Issuer, Issuer HoldCo,

the Bond Financial Guarantors, the Bondholders, the Couponholders and any entity related to the Issuer, Issuer HoldCo, the Bond Financial Guarantors or any other party to the Issuer Finance Documents without accounting for any profit.

- (b) In the exercise of its powers, trusts, authorities and discretions under these Conditions, the Bond Financial Guarantees and the Bond Trust Deed, the Bond Trustee will have regard to the interests of the Bondholders as a class and will not have regard to the consequences of such exercise for individual Bondholders or Couponholders (whatever their number) whether resulting from their being resident or domiciled in any particular jurisdiction or otherwise and the Bond Trustee shall not be entitled to require from the Issuer, Issuer HoldCo, the Bond Financial Guarantors or the Security Trustee, nor shall any Bondholder or Couponholder be entitled to claim from the Issuer, Issuer HoldCo the Bond Financial Guarantors, the Bond Trustee or the Security Trustee, any indemnification or other payment in respect of any consequence (including, without limitation, any tax consequence) for individual Bondholders or Couponholders of any such exercise.
- (c) Under the Issuer Security Trust and Intercreditor Deed, the Security Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its liabilities, costs and expenses and other amounts due to it in priority to the claims of the Bondholders. In addition, the Security Trustee is entitled to enter into business transactions with the Issuer, Issuer HoldCo, the Bond Financial Guarantors, the Bondholders, the Couponholders and any entity related to the Issuer, Issuer HoldCo, the Bond Financial Guarantors or any other party to the Issuer Finance Documents without accounting for any profit.
- (d) Neither the Bond Trustee nor the Security Trustee has investigated nor are either of them responsible or liable for any loss arising as a result of any failure to investigate the legality, validity, value, sufficiency or enforceability of the security created by the Issuer Security Documents or the validity or enforceability of any contracts over which such security is created or of the Bond Financial Guarantees and both the Bond Trustee and the Security Trustee shall accept without investigation, requisition or objection and without any responsibility or liability for doing so such right and title as the Issuer or Issuer HoldCo has to the property assets and rights over which security is created pursuant to the Issuer Security Documents.

The Security Trustee has no responsibility for the validity or enforceability of any obligation of any other party under any Issuer Finance Documents.

The Bond Trustee has no responsibility for the validity or enforceability of the AGUK Bond Financial Guarantee against AGUK or any permitted assignee of AGUK under the AGUK Bond Financial Guarantee or the AGM Bond Financial Guarantee against AGM or any permitted assignee of AGM under the AGM Bond Financial Guarantee.

The Bond Trustee will not be liable to Bondholders for any loss they may suffer as a result of any termination of the AGUK Bond Financial Guarantee or the AGM Bond Financial Guarantee resulting from any act or omission on the part of the Bond Trustee unless the Bond Trustee so acted or omitted to do so with gross negligence or in wilful default.

Neither the Bond Trustee nor the Security Trustee will be responsible for or liable for loss which results should any deficiency arise between the amount realised in respect of the assets and rights over which security is given by the Issuer Security Documents and sums due in respect of the Bonds because the Security Trustee or the Bond Trustee is liable to tax in respect of the property assets and rights over which such security is created.

None of the Security Trustee, the Bond Trustee and the Principal Paying Agent shall be responsible for monitoring the obligations of any person to the Issuer and each of them shall, until they have received notice in writing to the contrary, assume that all persons are duly performing the same.

Neither the Security Trustee nor the Bond Trustee will be obliged to take any action under the Bond Trust Deed or the Issuer Security Trust and Intercreditor Deed unless either or each is prefunded and/or indemnified and/or secured to its satisfaction in respect of any liability, loss, cost or expense which it may in its opinion incur. Protection and realisation of the security may be prevented or delayed as a result.

- (e) None of the Bond Trustee, the Security Trustee and the Principal Paying Agent shall be responsible for monitoring compliance by the Issuer or any other person with any matter set out in the Issuer Security Trust and Intercreditor Deed (including whether an Event of Default or Potential Event of Default has occurred) and, if the Majority Creditor is the Controlling Creditor, and the Bond Trustee is for whatever reason required to make any determination of material adverse change upon the instruction of the Majority Creditor acting in its capacity as Controlling Creditor, or like matter, pursuant to the terms of the Issuer Security Trust and Intercreditor Deed, it may, in its absolute discretion, seek directions from the Bondholders or seek advice from an expert, both in accordance with the Bond Trust Deed and the Bond Trustee will not be responsible for the consequences of any delay involved in so doing.
- (f) In acting under the Paying Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Bond Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.
- (g) The Issuer reserves the right (with the prior approval of the Bond Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; provided, however, that the Issuer shall at all times maintain (i) a Principal Paying Agent (ii) so long as the Bonds are admitted to listing on the Official List and to trading on the London Stock Exchange's market for listed securities, at least one Paying Agent with a specified office in the United Kingdom and (iii) if so required by the Controlling Creditor, at least one Paying Agent with a specified office outside the United Kingdom. Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given by the Issuer to the Bondholders in accordance with Condition 17 (*Notices*).
- (h) The Issuer has covenanted in the Bond Trust Deed to make available its annual report at the specified offices of the Paying Agents.
- (i) The Bond Trustee shall be entitled to rely on certificates and reports of the auditors of the Issuer notwithstanding that such auditors' liability in respect thereof may be limited (by reference to a monetary cap or otherwise) and shall be entitled to enter into letters engaging the auditors to provide any certificate or report.

In acting as Bond Trustee under the Issuer Finance Documents, the Bond Trustee shall, subject to clause 7.4 (*Interests of the Bondholders*) of the Bond Trust Deed, have regard solely to the interests of the Bondholders and not to any other Creditor.

15 Meetings of Bondholders; Modification and Waiver

(a) Meetings of Bondholders

- (i) Subject to Condition 15(b) (*Modification and Waiver*), the Bond Trust Deed contains provisions for convening single meetings of Bondholders to consider matters affecting their interests, including the modification of these Conditions, the Bond Trust Deed, the Bond Financial Guarantees and any other Issuer Finance Documents. Any such modification may, subject to the prior written consent of the Bond Financial Guarantors if they are the Controlling Creditor, be made if sanctioned by an Extraordinary Resolution (as defined in the Bond Trust Deed). A meeting of Bondholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Bond Trustee in connection with the exercise by the Bond Trustee, subject to Condition 16(a) (*Exercise and Enforcement*), of any of its rights, powers, trusts, authorities and discretions under the Issuer Finance Documents, to remove or approve the appointment of a new Bond Trustee and to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer upon such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution.
- (ii) The quorum for all business other than an Extraordinary Resolution will be one or more persons present in person holding or representing 10 per cent. in aggregate outstanding principal amount of the Bonds, or at any meeting adjourned for want of a quorum, one or more persons being actually present at such meeting in person representing Bondholders whatever the principal amount of Bonds held or represented.
- (iii) The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present in person holding or representing 25 per cent. in outstanding principal amount of the Bonds or, at any adjourned meeting, one or more persons being actually present at such meeting in person representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals including any proposal:
 - (A) to change any date fixed for payment of principal, premium (if any) or interest in respect of the Bonds, to reduce the amount of principal, premium (if any) or interest payable on any date in respect of the Bonds to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment;
 - (B) to effect any exchange of the Bonds for, or the conversion of the Bonds into shares, bonds or other obligations of the Issuer, either Bond Financial Guarantor or any other person or to approve the substitution of any person for the Issuer as principal obligor under the Bonds or the substitution of any person for AGUK and/or AGM as guarantors under the Bond Financial Guarantees;
 - (C) to change the currency of payments under the Bonds;
 - (D) to modify any provisions of the Bond Financial Guarantees;
 - (E) to change the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution;
 - (F) to release all or part of the Security other than in accordance with the Issuer Security Documents provided that for so long as the Bond Financial Guarantors are the Controlling Creditor, this Condition 15(a)(iii)(F) shall not apply;

- (G) to waive or amend any of the covenants described in Condition 3(a) to (d) (*Covenants of the Issuer*);
- (H) to alter the rights of priority on enforcement of the Bondholders under the Issuer Security Trust and Intercreditor Deed;
- (I) to exercise the rights under Condition 2(b) (*Bond Financial Guarantees*) or make any amendments to such Condition;
- (J) to remove any Bond Trustee or approve the appointment of a new Bond Trustee;
- (K) to direct the Bond Trustee to give a Financial Guarantor Removal Notice;
- (L) to approve any proposal by the Issuer or the Bond Financial Guarantors for any modification of any provision of any Issuer Finance Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Bonds or the obligations of the Bond Financial Guarantors under the Bond Financial Guarantees;
- (M) to waive any breach or authorise any proposed breach by the Issuer, the Bond Financial Guarantors or any other party of its obligations under any Issuer Finance Document or any act or omission which might otherwise constitute a Financial Guarantor Default, or, as the case may be, an Event of Default; or
- (N) to amend any of the above reserved matters,

(together the “**Reserved Extraordinary Resolution Matters**”) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons present in person holding or representing not less than three-quarters or, at any meeting adjourned for want of a quorum, at least 25 per cent. in aggregate outstanding principal amount of the Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders whether present or not.

The majority required for an Extraordinary Resolution voting on a Reserved Extraordinary Resolution Matter is at least 75 per cent. of the votes cast or, at any meeting adjourned for want of a quorum, the votes cast by one or more persons being actually present at such meeting in person representing Bondholders whatever the principal amount of the Bonds held or represented. In addition, a resolution in writing signed by or on behalf of Bondholders of not less than 75 per cent. in aggregate outstanding principal amount of the Bonds, who for the time being are entitled to receive notice of a meeting of Bondholders under the Bond Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) *Modification and Waiver*

If the Majority Creditor (or another Controlling Creditor appointed pursuant to the Issuer Security Trust and Intercreditor Deed, other than the Bond Financial Guarantors) is the Controlling Creditor, subject to clause 12 (*Consent of Controlling Creditor and Entrenched Rights and Reserved Matters of Creditors*) of the Issuer Security Trust and Intercreditor Deed, the Bond Trustee may, if so instructed by the Majority Creditor (or another Controlling Creditor appointed pursuant to the Issuer Security Trust and Intercreditor Deed, other than the Bond Financial Guarantors) if it is then Controlling Creditor, without the consent or sanction of any of the Bondholders or the Couponholders, concur with the Issuer and the Bond Financial Guarantors and/or any other relevant parties in making:

- (i) any modification to these Conditions, the Bond Trust Deed, the Bonds, the Bond Financial Guarantees, the Issuer Security Trust and Intercreditor Deed and any other Issuer Finance Document which is in the opinion of the Bond Trustee of a formal, minor or technical nature or is made to correct a manifest error; or
- (ii) any other modification of any such document which is in the opinion of the Bond Trustee not materially prejudicial to the interests of Bondholders.

For the avoidance of doubt, and notwithstanding the foregoing, the Bond Trustee, shall have the unfettered right to seek the consent of the Bondholders to the making of any such modification, provided that the Bond Trustee shall act in accordance with the directions in writing to it of the holders of at least 25 per cent. in aggregate principal amount of the Bonds outstanding or with an Extraordinary Resolution where the same are relevant or passed provided further that no such direction or Extraordinary Resolution shall affect any authorisation or waiver already given.

If the Majority Creditor (or another Controlling Creditor appointed pursuant to the Issuer Security Trust and Intercreditor Deed, other than the Bond Financial Guarantors) is then the Controlling Creditor, subject to clause 12 (*Consent of Controlling Creditor and Entrenched Rights and Reserved Matters of Creditors*) of the Issuer Security Trust and Intercreditor Deed, the Bond Trustee may also, if so instructed by the Majority Creditor (or another Controlling Creditor appointed pursuant to the Issuer Security Trust and Intercreditor Deed, other than the Bond Financial Guarantors), if it is then the Controlling Creditor, the Bond Trustee may also if so instructed by the Majority Creditor, without the consent or sanction of any of the Bondholders or the Couponholders, waive or authorise any Event of Default, any Potential Event of Default, any Financial Guarantor Default or any Financial Guarantor Downgrade Event or any other breach or proposed breach of the Bond Trust Deed, the Bonds, the Bond Financial Guarantees, the Issuer Security Trust and Intercreditor Deed or any other Issuer Finance Document to which it is a party, or determine that any Financial Guarantor Default or any Financial Guarantor Downgrade Event or any Event of Default or any Potential Event of Default shall not, or shall not subject to specified conditions, be treated as such or, in the case of a Financial Guarantor Default or Financial Guarantor Downgrade Event, has been cured to its satisfaction, if the Bond Trustee is of the opinion that to do so will not be materially prejudicial to the interests of the Bondholders.

For the avoidance of doubt, where the Majority Creditor (or another Controlling Creditor appointed pursuant to the Issuer Security Trust and Intercreditor Deed, other than the Bond Financial Guarantors) is the Controlling Creditor, the Bond Trustee shall have the unfettered right to seek the consent of Bondholders to any such authorisation or waiver, provided that the Bond Trustee shall act in accordance with the directions in writing to it of the holders of at least 25 per cent. in aggregate principal amount of the Bonds outstanding or with an Extraordinary Resolution where the same are relevant or passed provided further that no such direction or Extraordinary Resolution shall affect any authorisation or waiver already given. If the Bond Financial Guarantors are the Controlling Creditor, the Controlling Creditor controls all Financing Rights of the Secured Creditors under the Issuer Finance Documents, including those of the Bondholders and the Bond Trustee, subject only to clause 12 (*Consent of Controlling Creditor and Entrenched Rights and Reserved Matters of Creditors*) of the Issuer Security Trust and Intercreditor Deed.

16 Exercise and Enforcement

(a) *Exercise and Enforcement*

As more particularly provided in the Issuer Security Trust and Intercreditor Deed, the Bond Trustee will be obliged to take action to exercise or enforce its rights under the Bond Trust Deed or the Issuer Security

Documents or in respect of the Bonds if required to do so by the Controlling Creditor except in relation to certain specified rights of the Bond Trustee (provided that the Bond Trustee has been prefunded and/or indemnified and/or secured to its satisfaction) but will not in most circumstances be entitled to take any such action without the prior written consent of the Controlling Creditor. In any event, the Bond Trustee shall not be bound as against the Bondholders to take any such action unless:

- (i) it has been so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (ii) it has been prefunded and/or indemnified and/or secured to its satisfaction.

The Bond Trustee is entitled to exercise certain rights reserved for the Bond Trustee's exercise in its sole discretion.

(b) Action by Bondholders

No Bondholder may take any action against the Issuer or the Bond Financial Guarantors to enforce its rights in respect of the Bonds or to enforce all or any of the security constituted by the Issuer Security Documents or to enforce the Bond Financial Guarantees unless the Bond Trustee having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

17 Notices

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in the United Kingdom (which is expected to be the *Financial Times*) or, if in the opinion of the Bond Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such published notice shall be deemed to have been given on the date of first publication or, if published more than once, on the first date on which publication is made. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 17.

18 Governing Law and Jurisdiction

(a) Governing law

The Bond Trust Deed, the Bonds and the Coupons and any non-contractual obligations arising out of or in connection therewith shall be governed by, and shall be construed in accordance with, English law. The Bond Financial Guarantees and any non-contractual obligations arising out of or in connection therewith shall be governed by, and will be construed in accordance with, English law.

(b) English courts

The courts of England have jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Bonds and the Bond Trust Deed.

(c) Appropriate forum

The Issuer agrees and the Bond Financial Guarantors have agreed in the Bond Trust Deed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the Bondholders to take proceedings outside England

Condition 18(c) (*Appropriate forum*) is for the benefit of each of the Bond Trustee, the Bondholders and the Couponholders only. As a result, nothing in this Condition 18 prevents the Bond Trustee or any Bondholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with

jurisdiction. To the extent allowed by law, the Bond Trustee and the Bondholders may take concurrent Proceedings in any number of jurisdictions.

19 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all Sterling amounts used in or resulting from such calculations will be rounded to the nearest penny (with one half penny being rounded up), and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20 Further Issues

Subject always to the provisions of the Bond Trust Deed and the Issuer Security Trust and Intercreditor Deed, the Issuer may from time to time, with the prior written consent of the Controlling Creditor (in its absolute discretion) but without the consent of the Bondholders or Couponholders, create and issue further bonds or debt securities having the same terms and conditions as the Bonds in all respect (or in all respects except for the first payment of interest and the Issue Date) so as to form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Bond Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Bond Trustee, subject to consent of the Controlling Creditor), be constituted by a deed supplemental to the Bond Trust Deed. The Bond Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Bond Trustee so decides.

21 Rights of Third Parties

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Each Temporary Global Bond and each Permanent Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of certain of those provisions:

1 Initial Issue of Bonds

The Bonds will be issued in new global note (“NGN”) form and will be delivered on the instructions of the Issuer by the Principal Paying Agent to a common safekeeper for Euroclear and Clearstream, Luxembourg, as described below. The Bonds are intended to be held in a manner which will allow Eurosystem eligibility. However, depositing the Global Bonds with a common safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The nominal amount of the Bonds shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Bonds represented by the Global Bonds and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Bond represented by a Global Bond must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Bond, and in relation to all other rights arising under the Global Bonds, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by such relevant Global Bond and such obligations of the Issuer will be discharged by payment to the bearer of such Global Bond in respect of each amount so paid.

3 Exchange

The Bonds of each series will initially be represented by a Temporary Global Bond which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. Each Temporary Global Bond will be exchangeable in whole or in part for interests in a Permanent Global Bond not earlier than 40 calendar days from (but not including) the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under either Temporary Global Bond unless exchange for interests in the corresponding Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Bond will become exchangeable in whole, but not in part, for Definitive Bonds in the denomination of £100,000 and integral multiples of £1,000 in excess thereof each at the request of the bearer of the relevant Permanent Global Bond against presentation and surrender of such Permanent Global Bond to the Principal Paying Agent if either of the following events (each an “**Exchange Event**”) occurs: (i) Euroclear or Clearstream, Luxembourg or any additional or substitute clearing system (an “**Additional or Substitute Clearing System**”) from time to time nominated by the Issuer or the Bond Trustee and approved by the Controlling Creditor through which the Bonds are cleared is closed for business for a continuous period of 14

days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) the Bonds become due and payable pursuant to Condition 11 (*Events of Default*) of the Conditions.

Each Permanent Global Bond will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Bonds if, by reason of any change in the laws of the United Kingdom, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Bonds which would not be required if the Bonds were in definitive form. No Definitive Bonds will be issued in any denomination below £100,000.

Whenever a Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the relevant Permanent Global Bond to the bearer of the relevant Permanent Global Bond against the surrender of such Permanent Global Bond at the specified office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event. In any such event, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system.

In addition, each Temporary Global Bond and Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to such Temporary Global Bond and Permanent Global Bond. The following is a summary of certain of those provisions:

4 Payments

All payments in respect of each Temporary Global Bond and Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Bond or (as the case may be) Permanent Global Bond at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. The Issuer shall procure that details of each payment shall be entered pro rata in the records of the relevant clearing system, and in the case of payments of principal, the nominal amount of the Bonds recorded in the records of the relevant clearing system and represented by the Global Bond will be reduced accordingly.

5 Notices

Notwithstanding Condition 17 (*Notices*) of the Conditions, while all the Bonds are represented by a Permanent Global Bond (or by a Permanent Global Bond and/or a Temporary Global Bond) and such Permanent Global Bond is (or such Permanent Global Bond and/or Temporary Global Bond are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg or any Additional or Substitute Clearing System from time to time nominated by the Controlling Creditor, notices to Bondholders may be given by delivery to Euroclear and Clearstream, Luxembourg or any such Additional or Substitute Clearing System and such notices shall be deemed to have been given to the Bondholders in accordance with Condition 17 (*Notices*) of the Conditions, on the second day after the day of delivery to Euroclear and Clearstream, Luxembourg or any such Additional or Substitute Clearing System.

6 Meetings

The holder of, or a proxy for the holder of, a Temporary Global Bond or a Permanent Global Bond will be treated as being two persons for the purposes of any quorum requirements of a meeting of the Bondholders.

7 Cancellation

Cancellation of any Bond represented by the Temporary Global Bond or the Permanent Global Bond will be effected by reduction in the principal amount of the Temporary Global Bond or the Permanent Global Bond (as the case may be). In any such event, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system.

USE AND ESTIMATED AMOUNT OF PROCEEDS

The gross proceeds of the issue of the Bonds expected to amount to approximately £369,281,000.00 will be used to (i) purchase from the Secretary of State for Health and Social Care its interest as lender under the PSLFA; (ii) pay commission and expenses incurred in relation to the issue of the Bonds, including the Manager's management commission and certain of the issue and other related costs; and (iii) credit £500,000 to the Issuer Expenses Reserve Account. See the section entitled "*Description of the Issuer Finance Documents — Issuer Expenses Reserve Account*" above. The total estimated expenses to be paid by the Issuer in relation to the admission to trading are approximately £14,000,000.00.

YIELD

On the basis of the Issue Price (112.765 per cent.), the Gross Redemption Yield of the Bonds is -1.155 per cent. on a semi-annual basis. The yield is calculated as at the issue date and at the issue price of the Bonds and is not a guarantee of future yield.

FORM OF AGUK BOND FINANCIAL GUARANTEE

Dated [●]

ASSURED GUARANTY UK LIMITED

FINANCIAL GUARANTEE NO. [●]

in respect of

£[●] [●] per cent. Index-Linked Guaranteed Secured Bonds due 2039

This Financial Guarantee is dated [●] and given by Assured Guaranty UK Limited (Company Number 02510099) whose registered office is at 11th Floor, 6 Bevis Marks, London EC3A 7BA (the “**Financial Guarantor**”) in favour of HSBC Corporate Trustee Company (UK) Limited as trustee for the holders of the Guaranteed Bonds (as defined below) (the “**Bond Trustee**”, which expression shall, whenever the context admits, include such Persons for the time being the trustee or trustees of the Bond Trust Deed for the Guaranteed Bondholders).

This Financial Guarantee is subject to termination by the Financial Guarantor in the circumstances set forth in Clause 12.2 below.

1 Interpretation

1.1 Definitions

Any capitalised terms used in this Financial Guarantee and not otherwise defined shall have the meaning given to such terms in the Bond Trust Deed or the Issuer Security Trust and Intercreditor Deed (each as defined below) unless the context otherwise requires. In the event of any inconsistency between the provisions of this Financial Guarantee and the provisions of the Bond Trust Deed and/or the Issuer Security Trust and Intercreditor Deed, this Financial Guarantee shall prevail. For the purposes of this Financial Guarantee, the following terms will have the following meanings:

“**Accelerated Payment**” means, following an Acceleration, any payment in full or in part by the Financial Guarantor or AGM, at the Financial Guarantor’s or AGM’s absolute option, of all or part of the Scheduled Principal in advance of the final Scheduled Payment Date together with accrued but unpaid Scheduled Interest on such Scheduled Principal to the date of such payment (but excluding any amounts referred to in items (i) to (iv) of the definition of “Guaranteed Amount”);

“**Acceleration**” means, in relation to the Guaranteed Bonds, the giving of notice by the Bond Trustee to the Issuer that the Guaranteed Bonds are immediately due and repayable pursuant to Condition 11 (*Events of Default*) of the Conditions, and “**Accelerated**” will be construed accordingly;

“**Account**” has the meaning set out in clause 3.4 (*Payments by the Financial Guarantor*);

“**Agent**” means HSBC Bank plc, as paying agent under the Guaranteed Bonds, and the term Agent shall include any successor to such Agent;

“**AGM**” means Assured Guaranty Municipal Corp., an insurance company under the laws of the state of New York, whose principal place of business is at 1633 Broadway, New York, NY 10019 USA and its successors or permitted assigns under the AGM Bond Financial Guarantee;

“**AGM Bond Financial Guarantee**” means the financial guarantee dated on or about the date hereof, provided by AGM as financial guarantor in respect of the Guaranteed Bonds, without regard to any

amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with clause 12.4 (Termination and Amendment) thereof.;

“**AGM Proportion**” means the proportion of the Bond Financial Guarantees provided by AGM, which proportion is 85 per cent;

“**AGUK Proportion**” means the proportion of the Bond Financial Guarantees provided by the Financial Guarantor, which proportion is 15 per cent;

“**Avoided Payment**” means any amount that is paid, credited, transferred or delivered to or to the order of the Bond Trustee or a Guaranteed Bondholder by or on behalf of the Issuer in accordance with the terms of the Bond Trust Deed and/or the Guaranteed Bonds in respect of any Guaranteed Amount, which amount has been recovered from, or is otherwise required to be returned or repaid by, the Bond Trustee or a Guaranteed Bondholder as a result of Insolvency Proceedings by or against the Issuer;

“**Bond Financial Guarantees**” means this Financial Guarantee and the AGM Bond Financial Guarantee;

“**Bond Trust Deed**” means the bond trust deed dated on or about the date hereof between the Issuer, the Bond Trustee, the Financial Guarantor and AGM, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such bond trust deed with the prior written consent of the Financial Guarantor and AGM;

“**Business Day**” means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York;

“**Conditions**” means the terms and conditions of the Guaranteed Bonds as set out in Schedule 4 (*Conditions of the Bonds*) of the Bond Trust Deed, and “**Condition**” when used herein means such Condition as set out in Schedule 4 (*Conditions of the Bonds*) of the Bond Trust Deed and referred to herein;

“**Defaulted Amount**” means the portion of a Guaranteed Amount that is Due for Payment and unpaid by reason of Non-payment by the Issuer, including any portion of any Guaranteed Amount that has become an Avoided Payment;

“**Due for Payment**” means, with respect to:

- (a) Scheduled Interest on a Scheduled Payment Date, the amount of Scheduled Interest that is due and payable by the Issuer on such Scheduled Payment Date; and
- (b) Scheduled Principal on a Scheduled Payment Date, the amount of Scheduled Principal that is due and payable by the Issuer on such Scheduled Payment Date,

in each case as each such Scheduled Payment Date occurs or would have occurred in accordance with the original terms of the Guaranteed Bonds and without regard to any prepayment, Acceleration or mandatory or optional redemption of the Guaranteed Bonds or any subsequent amendment or modification of the Guaranteed Bonds that has not been consented to in writing by the Financial Guarantor and AGM in accordance with the provisions of the Bond Trust Deed. For the avoidance of doubt, “**Due for Payment**” does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the Guaranteed Bonds, by reason of prepayment, Acceleration, mandatory or optional redemption or otherwise;

"Financial Guarantee" means this Financial Guarantee No. [●], without regard to any amendment, modification or supplement hereto other than any such amendment, modification or supplement made in accordance with clause 12.4 (*Termination and Amendment*);

"Financial Guarantee Fee" has the meaning given to it in the Financial Guarantee Fee Letter;

"Financial Guarantee Fee Letter" means the fee letter dated as of the date of this Financial Guarantee between the Financial Guarantor and the Obligors, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such fee letter with the prior written consent of the Financial Guarantor;

"Financial Guarantee Termination Election Period" has the meaning given to it in clause 12.2;

"Fiscal Agent" has the meaning assigned thereto in clause 9.1 (Fiscal Agent);

"Force Majeure Event" means any unforeseeable event outside the control of the Financial Guarantor that renders the Financial Guarantor's performance under this Financial Guarantee impossible (and not merely impracticable or more onerous);

"Guaranteed Amount" means, with respect to a Scheduled Payment Date:

- (a) an amount equal to Scheduled Interest Due for Payment on the Guaranteed Bonds on such Scheduled Payment Date; plus
- (b) an amount equal to the Scheduled Principal Due for Payment on the Guaranteed Bonds on such Scheduled Payment Date;

but excluding in each case any amounts due in respect of the Guaranteed Bonds:

- (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason;
- (ii) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof or any gross up or make whole payment payable by the Issuer in respect of any such taxes, duties, withholding, deduction, assessment or other charge;
- (iii) attributable to any default interest;
- (iv) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, "spens", any make-whole amount or similar types of payments payable in respect of the Guaranteed Bonds; or
- (v) in respect of which the Financial Guarantor or AGM has made an Accelerated Payment on or prior to such Scheduled Payment Date;

"Guaranteed Bondholder" means a holder of Guaranteed Bonds;

"Guaranteed Bonds" means the £[●] [●] per cent. index-linked guaranteed secured bonds due 2039 constituted by the Bond Trust Deed but excluding any such bonds that are held by or for the account of an Obligor, any sponsor or an Affiliate of an Obligor or a sponsor;

"Insolvency Proceedings" means the commencement after the date hereof of any bankruptcy, insolvency or similar proceedings by or against the Issuer, or the commencement after the date hereof

of any proceedings by or against the Issuer for the winding up or the liquidation of its affairs, or the consent after the date hereof to the appointment of a trustee-in-bankruptcy, conservator, administrator, receiver or liquidator in any bankruptcy, insolvency or similar proceedings relating to the Issuer;

“Issuer Security Trust and Intercreditor Deed” means the security trust and intercreditor deed dated on or about the date hereof, between amongst others, the Obligors, the Financial Guarantor, AGM, the Security Trustee and the Bond Trustee, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such security trust and intercreditor deed with the prior written consent of the Financial Guarantor and AGM;

“Moody’s” means Moody’s Investors Service Ltd;

“Non-payment by the Issuer” means, with respect to a Guaranteed Amount at a time when such Guaranteed Amount is Due for Payment, that the funds, if any, remitted to any Agent or the Bond Trustee under the terms of the Guaranteed Bonds or the Bond Trust Deed for payment to Guaranteed Bondholders are insufficient for payment in full of such Guaranteed Amount. In addition to and without limiting the foregoing, **“Non-payment by the Issuer”** applies to any portion of any Guaranteed Amount that has become an Avoided Payment;

“Notice of Demand” means a notice of demand in the form of the Annex hereto;

“Order” means a final, non-appealable order of a court or other body exercising jurisdiction in an Insolvency Proceeding by or against the Issuer, to the effect that the Bond Trustee, any Agent or any Guaranteed Bondholder is required to return or repay all or any portion of an Avoided Payment;

“Rating Agencies” means S&PGR, Moody’s or such other rating agencies as may be substituted for such rating agency from time to time in accordance with the provisions of the Bond Trust Deed and the Issuer Security Trust and Intercreditor Deed with the prior written consent of the Financial Guarantor and AGUK;

“Receipt” and **“Received”** shall mean actual delivery to the Financial Guarantor prior to 5:00pm, London time, on a Business Day; provided, however, that delivery either on a day that is not a Business Day, or after 5:00pm, London time, on a Business Day, shall be deemed to be **“Received”** on the next succeeding Business Day. For the purposes of this definition, **“actual delivery”** to the Financial Guarantor shall mean (i) the delivery of the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s address for notices in accordance with clause 11 (*Notices*), or (ii) email transmission of the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s email address for notices in accordance with clause 11 (*Notices*). If presentation is made by email transmission, the Bond Trustee (a) shall promptly confirm transmission by telephone to the Financial Guarantor at its telephone number referred to in clause 11 (*Notices*), and (b) as soon as is reasonably practicable, shall deliver the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s address for notices in accordance with clause 11 (*Notices*);

If any Notice of Demand, notice or other documentation actually delivered (or attempted to be delivered) under this Financial Guarantee by the Bond Trustee is not in proper form or is not properly completed, executed or delivered, **“Receipt”** by the Financial Guarantor shall be deemed not to have occurred, and the Financial Guarantor shall promptly so advise the Bond Trustee of such deficiency and the nature of the deficiency. In such case, the Bond Trustee may submit an amended or corrected Notice of Demand, notice or other documentation, as the case may be, to the Financial Guarantor;

“Recovery” has the meaning set out in clause 3.2 (*Payments by the Financial Guarantor*);

“**S&PGR**” means Standard and Poor’s Global Ratings;

“**Scheduled Interest**” means, in respect of a Scheduled Payment Date, the amount of scheduled interest on the Guaranteed Bonds then payable in accordance with the original terms of the relevant Conditions, (i) without regard to any amendment or modification of such terms other than any amendment or modification of such terms made in accordance with the provisions of the Bond Trust Deed with the prior written consent of the Financial Guarantor and AGM; and (ii) after giving effect to each amount of principal repaid or prepaid by the Issuer pursuant to the relevant Conditions or otherwise paid following enforcement in accordance with Condition 16 (*Exercise and Enforcement*) of the Conditions;

“**Scheduled Payment Date**” has the meaning given to it in the Conditions;

“**Scheduled Principal**” means, in respect of a Scheduled Payment Date, the amount of scheduled principal payable on the Guaranteed Bonds on such Scheduled Payment Date in accordance with Condition 9(a) (Payments - *Scheduled Payments*) of the Conditions, in accordance with the original terms of the Conditions without regard to any amendment or modification of such terms other than any amendment or modification of such terms made in accordance with the provisions of the Bond Trust Deed with the prior written consent of the Financial Guarantor and AGM, as reduced by each amount of principal repaid or prepaid by the Issuer pursuant to the relevant Conditions or otherwise paid following enforcement in accordance with Condition 16 (*Exercise and Enforcement*) of the Conditions;

“**Term of the Financial Guarantee**” means the period from and including the date hereof to and including the earliest of:

- (a) the occurrence of the Financial Guarantor Removal Date in accordance with clause 10.1 (*Release of Financial Guarantees following a Financial Guarantor Removal Date*) of the Issuer Security Trust and Intercreditor Deed;
- (b) the occurrence of the Financial Guarantor Elected Removal Date pursuant to clause 11 (*Release of Financial Guarantees following a Financial Guarantor Elected Removal Date*) of the Issuer Security Trust and Intercreditor Deed; and
- (c) the last to occur of the following:
 - (i) the date on which all Guaranteed Amounts have been paid under the Guaranteed Bonds;
 - (ii) the date on which any period during which any Guaranteed Amount could have become, in whole or in part, an Avoided Payment has expired; and
 - (iii) if the Issuer becomes subject to any Insolvency Proceedings before the occurrence of (i) and (ii) above, the later of (a) the date of the conclusion or dismissal of the Insolvency Proceedings without continuing jurisdiction by the court in such Insolvency Proceedings and (b) if the Bond Trustee or any Guaranteed Bondholder is required to return any payment (or portion thereof) in respect of a Guaranteed Amount that is avoided as a result of such Insolvency Proceedings, the date on which the Financial Guarantor has made all payments required to be made under this Financial Guarantee to or to the order of the Bond Trustee in respect of all such Avoided Payments.

1.2 Construction

In this Financial Guarantee, a reference to:

- 1.2.1 a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time whether before or after the date of this Financial Guarantee and any

subordinate legislation made or other thing done under the statutory provision whether before or after the date of this Financial Guarantee;

- 1.2.2 the singular includes the plural and vice versa (unless the context otherwise requires);
- 1.2.3 a time of day is a reference to the time in London, unless a contrary indication appears;
- 1.2.4 each reference to “**clause**” or to “**Annex**”, unless the context otherwise requires, is a reference to a clause of or an annex to this Financial Guarantee;
- 1.2.5 a “**Person**” or “person” includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality; and
- 1.2.6 a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation.

1.3 Headings

The headings in this Financial Guarantee do not affect its construction or interpretation.

2 Guarantee

2.1 In consideration of the payment by the Issuer of the Financial Guarantee Fee and subject to the terms of this Financial Guarantee (including the Financial Guarantor’s right to terminate this Financial Guarantee in Clause 12.2 below), the Financial Guarantor unconditionally and irrevocably guarantees to the Bond Trustee during the Term of the Financial Guarantee the full and complete payment of the AGUK Proportion of:

2.1.1 Guaranteed Amounts that are Due for Payment but are unpaid by reason of Non-payment by the Issuer, and

2.1.2 Avoided Payments,

provided that any payment by AGM under the AGM Bond Financial Guarantee in respect of the AGUK Proportion of any Defaulted Amount shall constitute a discharge of the Financial Guarantor’s obligation to make such payment to the Bond Trustee.

2.2 This Financial Guarantee does not guarantee any prepayment or other accelerated payment which at any time may become due in respect of any Guaranteed Amount, other than at the sole option of the Financial Guarantor as specified in clause 4 (*Acceleration*), nor against any risk other than Non-payment by the Issuer, including failure of the Bond Trustee or any Agent to make any payment due to the Guaranteed Bondholders or any diminution in the market or fair value of the Guaranteed Bonds.

3 Payments by the Financial Guarantor

3.1 Following Receipt by the Financial Guarantor of a Notice of Demand in accordance with clause 8 (*Notice of Demand*) from the Bond Trustee for any Defaulted Amount, the Financial Guarantor will, subject to clause 7.5 (Waiver of Defences), pay the AGUK Proportion of the Defaulted Amount to the Bond Trustee by no later than 10.00 a.m., London time, on the later of:

- (a) the date such Defaulted Amount becomes Due for Payment; and
- (b) the fourth Business Day following the day on which the Financial Guarantor Received such Notice of Demand.

- 3.2** In the event that any amount shall be received by the Bond Trustee or the Bond Trustee has actual notice that any Guaranteed Bondholder has received any amount in respect of a Defaulted Amount forming the basis of a claim specified in a Notice of Demand submitted hereunder, which amount had not been received by the Bond Trustee, or which the Bond Trustee did not have actual notice had been received by a Guaranteed Bondholder when the Notice of Demand was prepared but which is received by the Bond Trustee or the Bond Trustee has actual notice has been received by such Guaranteed Bondholder prior to the receipt of payment from the Financial Guarantor as contemplated by this Financial Guarantee (each such amount, a “**Recovery**”), the Bond Trustee shall promptly so notify the Financial Guarantor (which notice shall include the amount of any such Recovery). The fact that a Recovery has been received by the Bond Trustee or the Bond Trustee has actual notice that a Recovery has been received by such Guaranteed Bondholder shall be deemed to be incorporated in the applicable Notice of Demand as of the date such Notice of Demand was originally prepared, without the need for any further action by any Person, and the Financial Guarantor shall pay the amount of the claim against the Financial Guarantor specified in paragraph (ii) of the Notice of Demand less the sum of the AGUK Proportion of all such Recoveries.
- 3.3** The Financial Guarantor shall be entitled to elect, in its absolute discretion, to pay part or all of any Defaulted Amount to any such bank account as is specified by the Bond Trustee without the need for the Financial Guarantor to have Received, and irrespective of whether the Financial Guarantor shall have Received, a Notice of Demand therefor. Any such payment shall be considered a payment by the Financial Guarantor under this Financial Guarantee for all purposes. If requested by the Financial Guarantor, the Bond Trustee shall promptly deliver to the Financial Guarantor a properly completed and executed Notice of Demand in respect of any such payment made or to be made by the Financial Guarantor.
- 3.4** Payments due hereunder in respect of Guaranteed Amounts will be disbursed to or to the order of the Bond Trustee and credited (in immediately available funds) to the bank account (the “**Account**”) specified by the Bond Trustee in the applicable Notice of Demand or pursuant to clause 3.3 (Payments by the Financial Guarantor) or clause 4.2 (Acceleration). Payment in full to the Account shall discharge the obligations of the Financial Guarantor under this Financial Guarantee to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Bond Trustee or any Agent.
- 3.5** Once payment by or on behalf of the Financial Guarantor of an amount in respect of any Guaranteed Amount (whether on a Scheduled Payment Date or pursuant to clause 3.3 (*Payments by the Financial Guarantor*) or on an accelerated basis pursuant to clause 4.2 (*Acceleration*)) has been made to the Account, the Financial Guarantor shall have no further obligations under this Financial Guarantee in respect of such Guaranteed Amount to the extent of such payment.

4 Acceleration

- 4.1** At any time or from time to time following Acceleration, the Financial Guarantor may decide, in its absolute discretion, to make an Accelerated Payment under this Financial Guarantee without the need for the Financial Guarantor to have Received, and irrespective of whether the Financial Guarantor shall have Received, a Notice of Demand.
- 4.2** The Financial Guarantor shall notify the Bond Trustee in writing of its intention to make an Accelerated Payment and the proposed date of such payment, no later than two Business Days prior to such proposed date of payment. Any such Accelerated Payment shall be considered a payment by the Financial Guarantor under this Financial Guarantee for all purposes. If so requested by the Financial Guarantor at the time the Financial Guarantor gives such written notice, the Bond Trustee shall deliver to the Financial Guarantor and AGM a corresponding Notice of Demand.

5 Withholding Tax

All payments by the Financial Guarantor to or to the order of the Bond Trustee under this Financial Guarantee shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state, or any political subdivision or governmental or taxing authority therein or thereof unless such withholding or deduction is required by law. If any withholding or deduction is so required by law, the Financial Guarantor shall pay such amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Financial Guarantor shall not be obliged to pay any amount to or to the order of the Bond Trustee in respect of the amount of such withholding or deduction.

6 Subrogation

- 6.1** The Financial Guarantor will be fully, immediately and automatically subrogated to the Guaranteed Bondholders' and the Bond Trustee's rights to payment of the Guaranteed Amounts, and to any rights relating thereto, to the fullest extent permitted by applicable law to the extent and at the time of any payments made by or on behalf of the Financial Guarantor under this Financial Guarantee, including, for the avoidance of doubt, any Accelerated Payment.
- 6.2** Any payment made by or on behalf of the Issuer to or for the benefit of the Bond Trustee or any Guaranteed Bondholder in respect of any Guaranteed Amount forming the basis of a claim hereunder (and a corresponding claim under this Financial Guarantee and/or the AGM Bond Financial Guarantee, which claims shall have been paid in full by the Financial Guarantor and AGM respectively) shall be received and held on trust by the recipient for the benefit of the Financial Guarantor and AGM and shall be paid by the recipient over to the Financial Guarantor and AGM pro rata in proportion to the respective amounts paid (i) by the Financial Guarantor in respect of a claim made pursuant to this Financial Guarantee, and (ii) by AGM in respect of the related claim made pursuant to the AGM Bond Financial Guarantee.

7 Waiver of Defences

- 7.1** The obligations of the Financial Guarantor under this Financial Guarantee will continue and will not be terminable other than in accordance with clause 12 (*Termination and Amendment*) notwithstanding failure to receive payment of the Financial Guarantee Fee or any other amount due in respect of this Financial Guarantee. The Financial Guarantee Fee is not refundable for any reason.
- 7.2** The Financial Guarantor acknowledges that there is no duty of disclosure by the Bond Trustee under this Financial Guarantee but nonetheless, to the fullest extent permitted by applicable law, hereby waives for the benefit of the Bond Trustee and the Guaranteed Bondholders and agrees not to assert any and all rights (whether by counterclaim, rescission, set-off or otherwise) and any and all equities and defences howsoever arising (including, without limitation, any right, equity or defence based on: (a) any right to require the Bond Trustee or any Guaranteed Bondholder first to proceed against or to enforce any other rights or security against, or to claim payment from, any Person before the Bond Trustee may claim from the Financial Guarantor under this Financial Guarantee; (b) fraud on the part of any Person (including fraud on the part of any agent for the Bond Trustee, but excluding fraud by the Bond Trustee itself); (c) misrepresentation, breach of warranty or non-disclosure of information by any Person; (d) any lack of validity or enforceability of the Guaranteed Bonds or the Bond Trust Deed; (e) any modification or any amendment to the Guaranteed Bonds or the Bond Trust Deed; (f) the granting of any time, indulgence or concession by any Person to the Issuer; (g) any insolvency or similar proceedings in respect of the Issuer or any other Person; (h) any lack of capacity, power or authority or any change in status of the Issuer or any other Person; or (i) the refusal or failure to take up, to hold, to perfect or to enforce by any Person any rights under or in connection with any

guarantee, indemnity, security or other document) to the extent such rights, equities and defences may be available to the Financial Guarantor to avoid payment of its obligations under this Financial Guarantee in accordance with the express provisions hereof.

7.3 No warranties are given and nothing in this Financial Guarantee is intended to constitute a warranty or a condition precedent to payment under the Financial Guarantee other than Receipt of a Notice of Demand in accordance with clause 8 (*Notice of Demand*).

7.4 Nothing in this Financial Guarantee shall be construed in any way to limit or otherwise affect the Financial Guarantor's right to pursue recovery or claims (based on contractual or other rights, including to the extent applicable such rights resulting from any Person's fraud, negligence or breach of any agreement to which it is a party) for reimbursement against any Persons for any liabilities, losses, damages, costs and expenses incurred by the Financial Guarantor or to exercise at any time any other remedies that may be available to the Financial Guarantor at law or in equity.

7.5 Nothing in this Financial Guarantee shall be construed to require payment by the Financial Guarantor so long as a Force Majeure Event is continuing, in which event the Financial Guarantor agrees to perform its obligations under this Financial Guarantee promptly following cessation of such Force Majeure Event (in the event that such cessation occurs during the Term of the Financial Guarantee).

8 Notice of Demand

8.1 Subject to clauses 2.2 (Guarantee), 3.3 (Payments by the Financial Guarantor) and 4 (*Acceleration*), payments of Guaranteed Amounts (including Avoided Payments) will only be made after presentation of a properly completed Notice of Demand signed by the Bond Trustee and Received by the Financial Guarantor.

8.2 Notices of Demand can only be given by the Bond Trustee in the manner set out in clause 11 (*Notices*).

8.3 Without limitation to the Financial Guarantor's obligations under clause 8.5 (*Notice of Demand*), if any Notice of Demand is not in the proper form or is not properly completed, executed or delivered, the Financial Guarantor will not be deemed to have Received such Notice of Demand.

8.4 Any Notice of Demand in respect of an Avoided Payment will not be deemed properly completed unless it is accompanied by:

8.4.1 a copy of the Order; and

8.4.2 a certificate of the Bond Trustee that the Order has been entered and that, on the basis of legal advice received by the Bond Trustee, the Order is not subject to any stay and specifying the Guaranteed Amounts that are Avoided Payments.

8.5 The Financial Guarantor will promptly advise the Bond Trustee if a Notice of Demand is not in the proper form or has not been properly completed, executed or delivered and the Bond Trustee may submit an amended Notice of Demand to the Financial Guarantor.

9 Fiscal Agent

9.1 At any time during the Term of the Financial Guarantee, the Financial Guarantor may appoint a fiscal agent (the "**Fiscal Agent**") for the purposes of this Financial Guarantee by written notice to the Bond Trustee, specifying the name and notice address of such Fiscal Agent. From and after the date of receipt of such notice by the Bond Trustee:

- 9.1.1** copies of all notices (including Notices of Demand) and other documents required to be delivered to the Financial Guarantor pursuant to this Financial Guarantee shall be simultaneously delivered to the Fiscal Agent and to the Financial Guarantor; and
- 9.1.2** all payments required to be made by the Financial Guarantor under this Financial Guarantee may be made directly by the Financial Guarantor or by the Fiscal Agent on behalf of the Financial Guarantor.
- 9.2** The Fiscal Agent is the agent of the Financial Guarantor only, and the Fiscal Agent shall in no event be liable to the Bond Trustee for any acts of the Fiscal Agent or any failure of the Financial Guarantor to deposit, or cause to be deposited, sufficient funds to make payments due under this Financial Guarantee.
- 10** Transfer
- 10.1** The rights and obligations of the Financial Guarantor under this Financial Guarantee may be assigned or transferred to, or assumed by, any Affiliate of the Financial Guarantor provided that:
- 10.1.1** no Financial Guarantor Default has occurred and is continuing at the time of such assignment, transfer or assumption or would occur as a result of such assignment, transfer or assumption;
- 10.1.2** the Financial Guarantor or such assignee, transferee or party assuming such rights and obligations delivers to the Bond Trustee either (i) written confirmation from the Rating Agencies providing the rating or (ii) other evidence reasonably satisfactory to the Bond Trustee that, at the time of and immediately following any such assignment, transfer or assumption, the financial strength or claims paying ability of such affiliate will be rated at least equal to the financial strength or claims paying ability of the Financial Guarantor at that time or, if such assignment, transfer or assumption is in connection with remedying a Financial Guarantor Downgrade Event pursuant to Condition 2(b) (*Bond Financial Guarantees*) of the Conditions, the financial strength or claims paying ability of such affiliate will be rated as required under such Condition;
- 10.1.3** the Financial Guarantor or such assignee, transferee or party assuming such rights and obligations thereafter delivers to the Bond Trustee written notice of any such assignment, transfer or assumption;
- 10.1.4** such transferee assumes the obligations of the Financial Guarantor under this Financial Guarantee and accedes to the relevant Issuer Finance Documents to which the Financial Guarantor is party; and
- 10.1.5** the location of the transferee does not (a) result in any withholding or deduction for any taxes, duties, assessments, or other governmental charges of whatever nature in respect of any payment by such transferee hereunder, which withholding or deduction is not at the time of the relevant transfer applicable to any such payment by the Financial Guarantor hereunder, and (b) otherwise prevent payment being made in respect of any Guaranteed Amount where payment made by the Financial Guarantor hereunder is not prevented at the time of the relevant transfer.
- 10.2** The Bond Trustee may not transfer, assign, sub-participate, declare a trust over or otherwise dispose (other than in favour of the Guaranteed Bondholders) of any of its rights under this Financial Guarantee except to a Person as to whom the Financial Guarantor has given its prior written consent. However, if the Bond Trustee transfers or assigns its rights and obligations under the Bond Trust Deed to a new or additional trustee which has been appointed in accordance with the Bond Trust Deed, no such consent shall be required and such new or additional trustee will be able to enforce this Financial Guarantee and references in this

Financial Guarantee to “**Bond Trustee**” shall be construed as including such new trustee or such additional trustee, as applicable.

11 Notices

11.1 All notices given under this Financial Guarantee shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail or personally delivered or emailed as follows:

To the Financial Guarantor:

Assured Guaranty UK Limited
11th Floor
6 Bevis Marks
London EC3A 7BA

Attention: Managing Director
Re: Portsmouth Hospital, Financial Guarantee No. [●]
Email: SurvPFireports@agltd.com

with a copy to the General Counsel at the above address and email address. Each Notice of Demand shall be marked to indicate URGENT MATERIAL ENCLOSED.

To the Bond Trustee:

HSBC Corporate Trustee Company (UK) Limited
Level 22
8 Canada Square
London E14 5HQ
Attention: Issuer Services Trustee Administration
Email: ctla.trustee.admin@hsbc.com

11.2 The Financial Guarantor or the Bond Trustee may designate an additional or different address, or telephone or email address, by prior written notice. Each notice, presentation, delivery and communication to the Financial Guarantor or the Bond Trustee shall be effective only upon Receipt by the Financial Guarantor or actual receipt by the Bond Trustee, as the case may be.

12 Termination and Amendment

12.1 Other than as set out in Clause 12.2, this Financial Guarantee is not cancellable by the Financial Guarantor for any reason, including, without limitation, the failure of the Financial Guarantor to receive payment of any Financial Guarantee Fee due in respect of this Financial Guarantee.

12.2 If the Trust notifies the Financial Guarantor, the Finance Provider and the Bond Trustee that the Trust intends to exercise the Instalment Option, then the Financial Guarantor shall have ten Business Days from its receipt of such notice (the “Financial Guarantee Termination Election Period”) to notify the Trust, the Finance Provider and the Bond Trustee in writing as to whether it elects to terminate this Financial Guarantee (and failing to give notice within the Financial Guarantee Termination Election Period shall be deemed to be notice to so terminate) or to continue the Term of the Financial Guarantee. Unless during the Financial Guarantee Termination Election Period the Financial Guarantor has given such notice that it elects not to so terminate, immediately following the end of the Financial Guarantee Termination Election Period (or, if earlier, the date the Financial Guarantor notifies that it is electing to terminate this Financial Guarantee pursuant to this Clause 12.2), this Financial Guarantee shall immediately terminate and the Financial Guarantor shall be entitled to be reimbursed for all amounts due to it under the Issuer Reimbursement and

Indemnity Deed in accordance with the Issuer Security Trust and Intercreditor Deed and the Issuer Accounts Agreement.

12.3 This Financial Guarantee and the obligations of the Financial Guarantor hereunder shall terminate upon the expiration of the Term of the Financial Guarantee.

12.4 This Financial Guarantee may not be amended, modified or supplemented without the prior written consent of the Bond Trustee.

13 Miscellaneous

No waiver of any rights or powers of the Financial Guarantor or the Bond Trustee, or any consent by either of them, shall be valid unless in writing and signed by an authorised officer or agent of the Financial Guarantor or the Bond Trustee, as applicable. The waiver of any right by the Financial Guarantor or the Bond Trustee, or the failure promptly to exercise any such right, shall not be construed as a waiver of any right to exercise the same or any other right at any time thereafter.

14 Law and Jurisdiction

14.1 This Financial Guarantee, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, the laws of England and Wales.

14.2 With respect to any suit, action or proceedings relating to this Financial Guarantee (“**Proceedings**”), the Financial Guarantor irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings that such court does not have any jurisdiction over such party.

15 Entire Agreement

This Financial Guarantee constitutes the entire agreement between the Financial Guarantor and the Bond Trustee in relation to the Financial Guarantor’s obligation to make payments to the Bond Trustee for the benefit of the Guaranteed Bondholders in respect of the Guaranteed Amounts which become Due for Payment but shall be unpaid by reason of Non-payment by the Issuer, and supersedes any previous agreement between the Financial Guarantor and the Bond Trustee in relation thereto.

16 Third Party Rights

No Person other than the Bond Trustee shall have rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Financial Guarantee but this shall not affect any such right any Person may have otherwise than by virtue of such Act.

17 Surrender of Financial Guarantee

The Bond Trustee shall deliver its original engrossment of this Financial Guarantee to the Financial Guarantor upon expiration of the Term of the Financial Guarantee.

In witness whereof, this Financial Guarantee has been executed as a deed and delivered on the date inserted above.

EXECUTED as a DEED for and on behalf of
ASSURED GUARANTY UK LIMITED by:

Authorised signatory

in the presence of

Signature of Witness:

Name of Witness:

Address:

Occupation:

ANNEX
FORM OF NOTICE OF DEMAND

Assured Guaranty UK Limited
11th Floor
6 Bevis Marks
London EC3A 7BA

Assured Guaranty Municipal Corp.
1633 Broadway
New York NY 10019
USA

Attention:

Chief Surveillance Officer

and

General Counsel

The undersigned, [●] as Bond Trustee (the “**Bond Trustee**”), hereby certifies to each of Assured Guaranty UK Limited (“**AGUK**”) and Assured Guaranty Municipal Corp. (“**AGM**” and, together with AGUK, the “**Financial Guarantors**”) with reference to Financial Guarantee No. [●] (the “**AGUK Bond Financial Guarantee**”) and Financial Guarantee number [●] (the “**AGM Bond Financial Guarantee**” and, together with the AGUK Bond Financial Guarantee, the “**Bond Financial Guarantees**”) that:

- (i) [The Guaranteed Amount[s] that [is/are] due and payable on the Scheduled Payment Date falling on [insert applicable payment date] [is/are] [●] [insert applicable amount/[s]]./The Guaranteed Amount[s] that [was/were] paid, credited, transferred or delivered to or to the order of the Bond Trustee or the Guaranteed Bondholders by or on behalf of the Issuer in accordance with the terms of the Bond Trust Deed and/or the Guaranteed Bonds on [insert applicable payment date] of [●][insert applicable amount][s] [was/were] recovered from, or [was/were] otherwise required to be returned or repaid by, the Bond Trustee or [a/the] Guaranteed Bondholder[s] as a result of Insolvency Proceedings by or against the Issuer on [insert applicable repayment date].]
- (ii) [The deficiency with respect to the Guaranteed Amount Due for Payment and unpaid by reason of Non-payment by the Issuer on the Scheduled Payment Date falling on [insert applicable payment date] is [●] [insert applicable amount] (the “**Defaulted Amount**”), the AGUK Proportion of such Defaulted Amount is [●] and the AGM Proportion of such Defaulted Amount is [●]/[The Bond Trustee has been notified by the Account Bank that the deficiency in respect of the Guaranteed Amount[s] which [is/are] Due for Payment on the Scheduled Payment Date falling on [insert applicable payment date] will be [●] [insert applicable amount] (the “**Defaulted Amount**”). The AGUK Proportion of such Defaulted Amount is [●] and the AGM Proportion of such Defaulted Amount is [●]].]
- (iii) The Bond Trustee is making (a) a claim against AGUK under the AGUK Bond Financial Guarantee for the AGUK Proportion of the Defaulted Amount, and (b) a claim against AGM under the AGM Bond Financial Guarantee for the AGM Proportion of the Defaulted Amount, with each such amount to be applied to the payment of the above-described Guaranteed Amount[s].
- (iv) To the extent that AGUK does not pay the AGUK Proportion of any Defaulted Amount when due and payable by AGUK in accordance with the terms of the AGUK Bond Financial Guarantee, the Bond Trustee is making a claim against AGM under clause 3.1.2 (Payments by the Financial Guarantor) of the AGM Bond

Financial Guarantee for such amount. The Bond Trustee agrees that any payment by AGM of such amount shall discharge AGUK from any obligation to make such payment under the AGUK Bond Financial Guarantee.

- (v) The Bond Trustee agrees that following any payment by the Financial Guarantors made with respect to the Defaulted Amount which is the subject of this Notice of Demand, it (a) will cause such amounts to be applied directly to the payment of the applicable Guaranteed Amount[s] in accordance with [clause 7.9 of the Bond Trust Deed]; (b) will ensure that such funds are not applied for any other purpose; and (c) will cause an accurate record of such payment to be maintained with respect to the appropriate Guaranteed Amount(s), the corresponding claim on each Financial Guarantee, and the proceeds of such claim.
- (vi) Payments should be made by credit to the following account:

[(insert details of bank account)] (the “**Account**”).

Capitalised terms used in this Notice of Demand and not otherwise defined herein shall have the respective meanings ascribed thereto in or pursuant to the applicable Financial Guarantee.

This Notice of Demand may be revoked at any time by written notice of such revocation by the Bond Trustee to each Financial Guarantor, if and only to the extent that moneys are actually received by the Bond Trustee prior to any such revocation from a source other than the Financial Guarantors with respect to the Defaulted Amount set forth herein. The Bond Trustee will withdraw this Notice of Demand, or submit a restated Notice of Demand reducing the amount of the claim hereunder, if the required amount of the Defaulted Amount and accordingly each of the AGUK Proportion and the AGM Proportion thereof has been reduced (including reduction to zero) on or prior to the date the Financial Guarantors are required to make payment under the Bond Financial Guarantees.

If the Bond Trustee has received, or the Bond Trustee has actual notice that one or more Guaranteed Bondholders has received, from the Issuer or the Financial Guarantors, an amount in excess of a Defaulted Amount, the Bond Trustee shall promptly return to each Financial Guarantor the lesser of (i) such Financial Guarantor’s proportionate share in such excess amount (such share being calculated by a fraction equal to the amount of the Defaulted Amount paid by the relevant Financial Guarantor to or to the order of the Bond Trustee divided by the total Defaulted Amount paid by both Financial Guarantors to or to the order of the Bond Trustee) and (ii) the amount of the Defaulted Amount paid by the relevant Financial Guarantor to or to the order of the Bond Trustee and not previously distributed by the Bond Trustee to the Guaranteed Bondholders or to any insolvency official appointed in respect of the Issuer. For the avoidance of doubt the Bond Trustee shall only be required to repay any such amounts to the Financial Guarantors that are in the Bond Trustee’s possession and under its control, at the time it becomes aware of the requirement to repay such amounts, and the Bond Trustee shall have no liability to any Person for any amounts received by the Bond Trustee from the Financial Guarantors but distributed by the Bond Trustee in accordance with the preceding sentence.

The Bond Trustee acknowledges that as of the date on which any payment by the relevant Financial Guarantor towards a Defaulted Amount is credited to the Account, the relevant Financial Guarantor shall be deemed fully, immediately and automatically subrogated, to the fullest extent permitted by applicable law, to the rights (including, without limitation, any rights and benefits attached thereto, and any security granted at law, by contract or otherwise) of the Guaranteed Bondholders to payment of the Guaranteed Amounts to the extent and at the time of such payment by the relevant Financial Guarantor towards the Defaulted Amount.

The Bond Trustee hereby (i) assigns to each Financial Guarantor its rights to receive any payment for the account of the Guaranteed Bondholders from the Issuer in respect of the Guaranteed Bonds to the extent of any payments made to (or to the order of) the Bond Trustee by the relevant Financial Guarantor under the applicable Financial Guarantee, including without limitation its right to receive payments of principal and interest on the

Guaranteed Bonds (including Recoveries), and (ii) confirms that it has taken or will promptly take all steps reasonably required by, and at the expense of, the Financial Guarantors to effect and to perfect such assignments to the Financial Guarantors. The foregoing assignments are in addition to, and not in limitation of, rights of subrogation otherwise available to each Financial Guarantor in respect of such payments. Payments to each Financial Guarantor in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Bond Trustee to receive all Guaranteed Amounts in respect of the Guaranteed Bonds. The Bond Trustee shall cooperate in all reasonable respects, and at the expense of the Financial Guarantors, with any request by either Financial Guarantor for action necessary to preserve or to enforce such Financial Guarantor's rights and remedies, any related security arrangements or otherwise in relation to such subrogation. The Bond Trustee shall also, at the expense of the Financial Guarantors, deliver any such instruments as may be reasonably requested or required by the Financial Guarantors to effectuate the purpose or provisions of this paragraph.

Any payment made by or on behalf of the Issuer to or for the benefit of the Bond Trustee in respect of any Guaranteed Amount forming the basis of a claim hereunder (which claim shall have been paid in full by the Financial Guarantors) shall be received and held on trust for the benefit of the Financial Guarantors and shall be paid over to each Financial Guarantor pro rata in proportion to the respective amounts each Financial Guarantor paid in respect of the Defaulted Amount.

The Bond Trustee hereby agrees that so long as no Financial Guarantor Default shall have occurred and be continuing, each Financial Guarantor may at any time during the continuation of any Insolvency Proceeding by or against the Issuer under any applicable law direct all matters relating thereto, including without limitation, (a) all matters relating to any claim in connection with an Insolvency Proceeding by or against the Issuer seeking the avoidance as a preferential transfer of any payment made with respect to the Guaranteed Bonds (a "**Preference Claim**"), (b) the direction of any appeal of any order relating to any Preference Claim at the expense of the Financial Guarantors and (c) the posting of any surety or performance bond pending any such appeal.

[Pursuant to clause 9.4 (Notice of Demand) of the Financial Guarantee, the following documents are attached:

- a copy of the Order; and
- a certificate of the Bond Trustee that the Order has been entered and that, on the basis of legal advice received by the Bond Trustee, the Order is not subject to any stay and specifying (to the extent that the Bond Trustee has actual knowledge sufficient to do so), the Guaranteed Amounts that are Avoided Payments.]*

*To be inserted if demand relates to Avoided Payments.

This Notice of Demand, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, the laws of England and Wales.

[With respect to any suit, action or proceedings relating to this Notice of Demand ("**Proceedings**"), the Bond Trustee irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings that such court does not have any jurisdiction over it.]***

**For use when the Bond Trustee is not incorporated in England and Wales.

No Person, other than each Financial Guarantor, shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Notice of Demand but this shall not affect any such right any Person may have otherwise than by virtue of such Act.

In witness whereof, the undersigned has executed and delivered this Notice of Demand as a deed on the [●]
day of [●] of 2[●].

EXECUTED as a DEED for and on behalf of
[●] acting by its lawful Attorney:

Attorney

in the presence of

Signature of Witness:

Name of Witness:

Address:

Occupation:

For the Financial Guarantor or

Fiscal Agent use only

Wire transfer sent on

By:

Confirmation Number:

FORM OF AGM BOND FINANCIAL GUARANTEE

Dated [●]

ASSURED GUARANTY MUNICIPAL CORP.

FINANCIAL GUARANTEE NO. [●]

in respect of

£[●] [●] per cent. Index-Linked Guaranteed Secured Bonds due 2039

This Financial Guarantee is dated _____ 2021 and given by Assured Guaranty Municipal Corp. an insurance company under the laws of the State of New York whose principal place of business is at 1633 Broadway, New York, NY 10019, United States of America (the “**Financial Guarantor**”) in favour of HSBC Corporate Trustee Company (UK) Limited as trustee for the holders of the Guaranteed Bonds (as defined below) (the “**Bond Trustee**”, which expression shall, whenever the context admits, include such Persons for the time being the trustee or trustees of the Bond Trust Deed for the Guaranteed Bondholders).

This Financial Guarantee is subject to termination by the Financial Guarantor in the circumstances set forth in Clause 12.2 below.

1 Interpretation

1.1 Definitions

Any capitalised terms used in this Financial Guarantee and not otherwise defined shall have the meaning given to such terms in the Bond Trust Deed or the Issuer Security Trust and Intercreditor Deed (each as defined below) unless the context otherwise requires. In the event of any inconsistency between the provisions of this Financial Guarantee and the provisions of the Bond Trust Deed and/or the Issuer Security Trust and Intercreditor Deed, this Financial Guarantee shall prevail. For the purposes of this Financial Guarantee, the following terms will have the following meanings:

“**Accelerated Payment**” means, following an Acceleration, any payment in full or in part by the Financial Guarantor or AGUK, at the Financial Guarantor’s or AGUK’s absolute option, of all or part of the Scheduled Principal in advance of the final Scheduled Payment Date together with accrued but unpaid Scheduled Interest on such Scheduled Principal to the date of such payment (but excluding any amounts referred to in items (i) to (iv) of the definition of “Guaranteed Amount”);

“**Acceleration**” means, in relation to the Guaranteed Bonds, the giving of notice by the Bond Trustee to the Issuer that the Guaranteed Bonds are immediately due and repayable pursuant to Condition 11 (*Events of Default*) of the Conditions, and “**Accelerated**” will be construed accordingly;

“**Account**” has the meaning set out in clause 3.4 (*Payments by the Financial Guarantor*);

“**Agent**” means HSBC Bank plc, as paying agent under the Guaranteed Bonds, and the term Agent shall include any successor to such Agent;

“**AGM Proportion**” means the proportion of the Bond Financial Guarantees provided by the Financial Guarantor, which proportion is 85 per cent;

“**AGUK**” means Assured Guaranty UK Limited (company number 02510099) whose registered office is at 11th Floor, 6 Bevis Marks, London EC3A 7BA and its successors or permitted assigns under the AGUK Bond Financial Guarantee;

“**AGUK Bond Financial Guarantee**” means the financial guarantee dated on or about the date hereof, provided by AGUK as financial guarantor in respect of the Guaranteed Bonds, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with clause 12.4 (Termination and Amendment) thereof;

“**AGUK Proportion**” means the proportion of the Bond Financial Guarantees provided by AGUK, which proportion is 15 per cent;

“**Avoided Payment**” means any amount that is paid, credited, transferred or delivered to or to the order of the Bond Trustee or a Guaranteed Bondholder by or on behalf of the Issuer in accordance with the terms of the Bond Trust Deed and/or the Guaranteed Bonds in respect of any Guaranteed Amount, which amount has been recovered from, or is otherwise required to be returned or repaid by, the Bond Trustee or a Guaranteed Bondholder as a result of Insolvency Proceedings by or against the Issuer;

“**Bond Financial Guarantees**” means this Financial Guarantee and the AGUK Bond Financial Guarantee;

“**Bond Trust Deed**” means the bond trust deed dated on or about the date hereof between the Issuer, the Bond Trustee, the Financial Guarantor and AGUK, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such bond trust deed with the prior written consent of the Financial Guarantor and AGUK;

“**Business Day**” means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York;

“**Conditions**” means the terms and conditions of the Guaranteed Bonds as set out in Schedule 4 (*Conditions of the Bonds*) of the Bond Trust Deed, and “**Condition**” when used herein means such Condition as set out in Schedule 4 (*Conditions of the Bonds*) of the Bond Trust Deed and referred to herein;

“**Defaulted Amount**” means the portion of a Guaranteed Amount that is Due for Payment and unpaid by reason of Non-payment by the Issuer, including any portion of any Guaranteed Amount that has become an Avoided Payment;

“**Due for Payment**” means, with respect to:

- (a) Scheduled Interest on a Scheduled Payment Date, the amount of Scheduled Interest that is due and payable by the Issuer on such Scheduled Payment Date; and
- (b) Scheduled Principal on a Scheduled Payment Date, the amount of Scheduled Principal that is due and payable by the Issuer on such Scheduled Payment Date,

in each case as each such Scheduled Payment Date occurs or would have occurred in accordance with the original terms of the Guaranteed Bonds and without regard to any prepayment, Acceleration or mandatory or optional redemption of the Guaranteed Bonds or any subsequent amendment or modification of the Guaranteed Bonds that has not been consented to in writing by the Financial Guarantor and AGUK in accordance with the provisions of the Bond Trust Deed. For the avoidance of doubt, “**Due for Payment**” does not refer to any earlier date upon which payment of any Guaranteed

Amounts may become due under the Guaranteed Bonds, by reason of prepayment, Acceleration, mandatory or optional redemption or otherwise;

"**Financial Guarantee**" means this Financial Guarantee No. [●], without regard to any amendment, modification or supplement hereto other than any such amendment, modification or supplement made in accordance with clause 12.4 (*Termination and Amendment*);

"**Financial Guarantee Fee**" has the meaning given to it in the Financial Guarantee Fee Letter;

"**Financial Guarantee Fee Letter**" means the fee letter dated as of the date of this Financial Guarantee between the Financial Guarantor and the Obligor, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such fee letter with the prior written consent of the Financial Guarantor;

"**Financial Guarantee Termination Election Period**" has the meaning given to it in clause 12.2;

"**Fiscal Agent**" has the meaning assigned thereto in clause 9.1 (*Fiscal Agent*);

"**Force Majeure Event**" means any unforeseeable event outside the control of the Financial Guarantor that renders the Financial Guarantor's performance under this Financial Guarantee impossible (and not merely impracticable or more onerous);

"**Guaranteed Amount**" means, with respect to a Scheduled Payment Date:

- (a) an amount equal to Scheduled Interest Due for Payment on the Guaranteed Bonds on such Scheduled Payment Date; plus
- (b) an amount equal to the Scheduled Principal Due for Payment on the Guaranteed Bonds on such Scheduled Payment Date;

but excluding in each case any amounts due in respect of the Guaranteed Bonds:

- (i) attributable to any increase in interest margin, penalty or other sum payable by the Issuer for whatever reason;
- (i) attributable to any present or future taxes, duties, withholding, deduction, assessment or other charge (including interest and penalties in respect of such taxes, duties, withholding, deduction, assessment or other charge) of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state (including the United Kingdom), or any political subdivision or governmental or taxing authority therein or thereof or any gross up or make whole payment payable by the Issuer in respect of any such taxes, duties, withholding, deduction, assessment or other charge;
- (ii) attributable to any default interest;
- (iii) attributable to any amount relating to prepayment, early redemption, broken-funding indemnities, penalties, premium, "spens", any make-whole amount or similar types of payments payable in respect of the Guaranteed Bonds; or
- (iv) in respect of which the Financial Guarantor or AGUK has made an Accelerated Payment on or prior to such Scheduled Payment Date;

"**Guaranteed Bondholder**" means a holder of Guaranteed Bonds;

"**Guaranteed Bonds**" means the £[●] [●] per cent. index-linked guaranteed secured bonds due 2039 constituted by the Bond Trust Deed but excluding any such bonds that are held by or for the account of an Obligor, any sponsor or an Affiliate of an Obligor or a sponsor;

“Insolvency Proceedings” means the commencement after the date hereof of any bankruptcy, insolvency or similar proceedings by or against the Issuer, or the commencement after the date hereof of any proceedings by or against the Issuer for the winding up or the liquidation of its affairs, or the consent after the date hereof to the appointment of a trustee-in-bankruptcy, conservator, administrator, receiver or liquidator in any bankruptcy, insolvency or similar proceedings relating to the Issuer;

“Issuer Security Trust and Intercreditor Deed” means the security trust and intercreditor deed dated on or about the date hereof, between amongst others, the Obligors, the Financial Guarantor, AGUK, the Security Trustee and the Bond Trustee, without regard to any amendment, modification or supplement thereto other than any such amendment, modification or supplement made in accordance with the provisions of such security trust and intercreditor deed with the prior written consent of the Financial Guarantor and AGUK;

“Moody’s” means Moody’s Investors Service Ltd;

“Non-payment by the Issuer” means, with respect to a Guaranteed Amount at a time when such Guaranteed Amount is Due for Payment, that the funds, if any, remitted to any Agent or the Bond Trustee under the terms of the Guaranteed Bonds or the Bond Trust Deed for payment to Guaranteed Bondholders are insufficient for payment in full of such Guaranteed Amount. In addition to and without limiting the foregoing, **“Non-payment by the Issuer”** applies to any portion of any Guaranteed Amount that has become an Avoided Payment;

“Notice of Demand” means a notice of demand in the form of the Annex hereto;

“Order” means a final, non-appealable order of a court or other body exercising jurisdiction in an Insolvency Proceeding by or against the Issuer, to the effect that the Bond Trustee, any Agent or any Guaranteed Bondholder is required to return or repay all or any portion of an Avoided Payment;

“Rating Agencies” means S&PGR, Moody’s or such other rating agencies as may be substituted for such rating agency from time to time in accordance with the provisions of the Bond Trust Deed and the Issuer Security Trust and Intercreditor Deed with the prior written consent of the Financial Guarantor and AGUK;

“Receipt” and **“Received”** shall mean actual delivery to the Financial Guarantor prior to 5:00pm, London time, on a Business Day; provided, however, that delivery either on a day that is not a Business Day, or after 5:00pm, London time, on a Business Day, shall be deemed to be **“Received”** on the next succeeding Business Day. For the purposes of this definition, **“actual delivery”** to the Financial Guarantor shall mean (i) the delivery of the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s address for notices in accordance with clause 11 (*Notices*), or (ii) email transmission of the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s email address for notices in accordance with clause 11 (*Notices*). If presentation is made by email transmission, the Bond Trustee (a) shall promptly confirm transmission by telephone to the Financial Guarantor at its telephone number referred to in clause 11 (*Notices*), and (b) as soon as is reasonably practicable, shall deliver the original Notice of Demand, notice or other applicable documentation to the Financial Guarantor’s address for notices in accordance with clause 11 (*Notices*);

If any Notice of Demand, notice or other documentation actually delivered (or attempted to be delivered) under this Financial Guarantee by the Bond Trustee is not in proper form or is not properly completed, executed or delivered, **“Receipt”** by the Financial Guarantor shall be deemed not to have occurred, and the Financial Guarantor shall promptly so advise the Bond Trustee of such deficiency and the nature of

the deficiency. In such case, the Bond Trustee may submit an amended or corrected Notice of Demand, notice or other documentation, as the case may be, to the Financial Guarantor;

“**Recovery**” has the meaning set out in clause 3.2 (*Payments by the Financial Guarantor*);

“**S&PGR**” means Standard and Poor’s Global Ratings;

“**Scheduled Interest**” means, in respect of a Scheduled Payment Date, the amount of scheduled interest on the Guaranteed Bonds then payable in accordance with the original terms of the relevant Conditions, (i) without regard to any amendment or modification of such terms other than any amendment or modification of such terms made in accordance with the provisions of the Bond Trust Deed with the prior written consent of the Financial Guarantor and AGUK; and (ii) after giving effect to each amount of principal repaid or prepaid by the Issuer pursuant to the relevant Conditions or otherwise paid following enforcement in accordance with Condition 16 (*Exercise and Enforcement*) of the Conditions;

“**Scheduled Payment Date**” has the meaning given to it in the Conditions.

“**Scheduled Principal**” means, in respect of a Scheduled Payment Date, the amount of scheduled principal payable on the Guaranteed Bonds on such Scheduled Payment Date in accordance with Condition 9(a) (*Payments – Scheduled Payments*) of the Conditions, in accordance with the original terms of the Conditions without regard to any amendment or modification of such terms other than any amendment or modification of such terms made in accordance with the provisions of the Bond Trust Deed with the prior written consent of the Financial Guarantor and AGUK, as reduced by each amount of principal repaid or prepaid by the Issuer pursuant to the relevant Conditions or otherwise paid following enforcement in accordance with Condition 16 (*Exercise and Enforcement*) of the Conditions;

“**Term of the Financial Guarantee**” means the period from and including the date hereof to and including the earliest of:

- (a) the occurrence of the Financial Guarantor Removal Date in accordance with clause 10.1 (*Release of Financial Guarantees following a Financial Guarantor Removal Date*) of the Issuer Security Trust and Intercreditor Deed;
- (b) the occurrence of the Financial Guarantor Elected Removal Date pursuant to clause 11 (*Release of Financial Guarantees following a Financial Guarantor Elected Removal Date*) of the Issuer Security Trust and Intercreditor Deed; and
- (c) the last to occur of the following:
 - (i) the date on which all Guaranteed Amounts have been paid under the Guaranteed Bonds;
 - (ii) the date on which any period during which any Guaranteed Amount could have become, in whole or in part, an Avoided Payment has expired; and
 - (iii) if the Issuer becomes subject to any Insolvency Proceedings before the occurrence of (i) and (ii) above, the later of (a) the date of the conclusion or dismissal of the Insolvency Proceedings without continuing jurisdiction by the court in such Insolvency Proceedings and (b) if the Bond Trustee or any Guaranteed Bondholder is required to return any payment (or portion thereof) in respect of a Guaranteed Amount that is avoided as a result of such Insolvency Proceedings, the date on which the Financial Guarantor has made all payments required to be made under this Financial Guarantee to or to the order of the Bond Trustee in respect of all such Avoided Payments.

1.2 Construction

In this Financial Guarantee, a reference to:

- 1.2.1 a statutory provision includes a reference to the statutory provision as modified or re-enacted or both from time to time whether before or after the date of this Financial Guarantee and any subordinate legislation made or other thing done under the statutory provision whether before or after the date of this Financial Guarantee;
- 1.2.2 the singular includes the plural and vice versa (unless the context otherwise requires);
- 1.2.3 a time of day is a reference to the time in London, unless a contrary indication appears;
- 1.2.4 each reference to “**clause**” or to “**Annex**”, unless the context otherwise requires, is a reference to a clause of or an annex to this Financial Guarantee;
- 1.2.5 a “**Person**” or “person” includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality; and
- 1.2.6 a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation.

1.3 Headings

The headings in this Financial Guarantee do not affect its construction or interpretation.

2 Guarantee

2.1 In consideration of the payment by the Issuer of the Financial Guarantee Fee and subject to the terms of this Financial Guarantee (including the Financial Guarantor’s right to terminate this Financial Guarantee in Clause 12.2 below), the Financial Guarantor unconditionally and irrevocably guarantees to the Bond Trustee during the Term of the Financial Guarantee the full and complete payment of:

2.1.1 the AGM Proportion of:

- (a) Guaranteed Amounts that are Due for Payment but are unpaid by reason of Non-payment by the Issuer; and
- (b) Avoided Payments; and

2.1.2 the AGUK Proportion of:

- (a) Guaranteed Amounts that are Due for Payment but are unpaid by reason of Non-payment by the Issuer to the extent that AGUK has not paid such amounts when due and payable by AGUK under the terms of the AGUK Bond Financial Guarantee; and
- (b) Avoided Payments to the extent that AGUK has not paid such amounts when due and payable by AGUK under the terms of the AGUK Bond Financial Guarantee,

provided that any payment by the Financial Guarantor under this clause 2.1.2 shall constitute a discharge of AGUK’s obligation to make such payment under the AGUK Bond Financial Guarantee.

2.2 This Financial Guarantee does not guarantee any prepayment or other accelerated payment which at any time may become due in respect of any Guaranteed Amount, other than at the sole option of the Financial Guarantor as specified in clause 4 (*Acceleration*), nor against any risk other than Non-payment by the Issuer, including failure of the Bond Trustee or any Agent to make any payment due to the Guaranteed Bondholders or any diminution in the market or fair value of the Guaranteed Bonds.

3 Payments by the Financial Guarantor

3.1 Following Receipt by the Financial Guarantor of a Notice of Demand in accordance with clause 8 (*Notice of Demand*) from the Bond Trustee for any Defaulted Amount, the Financial Guarantor will, subject to clause 7.5 (Waiver of Defences), pay:

3.1.1 the AGM Proportion of the Defaulted Amount to the Bond Trustee by no later than 10.00 a.m., London time, on the later of:

- (a) the date such Defaulted Amount becomes Due for Payment; and
- (b) the fourth Business Day following the day on which the Financial Guarantor Received such Notice of Demand; and

3.1.2 if (i) the Bond Trustee has made a claim against AGUK under the AGUK Bond Financial Guarantee by delivering a Notice of Demand that has been Received (each as defined in the AGUK Bond Financial Guarantee) by AGUK, (ii) such claim has not been paid by AGUK in accordance with the terms of the AGUK Bond Financial Guarantee, (iii) the AGUK Bond Financial Guarantee has not been terminated and (iv) the Financial Guarantor has Received notice from the Bond Trustee that AGUK has failed to pay such claim, the AGUK Proportion of the Defaulted Amount to the Bond Trustee no later than the Business Day following the day on which such amount was due and payable by AGUK in accordance with the terms of the AGUK Bond Financial Guarantee.

3.2 In the event that any amount shall be received by the Bond Trustee or the Bond Trustee has actual notice that any Guaranteed Bondholder has received any amount in respect of a Defaulted Amount forming the basis of a claim specified in a Notice of Demand submitted hereunder, which amount had not been received by the Bond Trustee, or which the Bond Trustee did not have actual notice had been received by a Guaranteed Bondholder when the Notice of Demand was prepared but which is received by the Bond Trustee or the Bond Trustee has actual notice has been received by such Guaranteed Bondholder prior to the receipt of payment from the Financial Guarantor as contemplated by this Financial Guarantee (each such amount, a “**Recovery**”), the Bond Trustee shall promptly so notify the Financial Guarantor (which notice shall include the amount of any such Recovery). The fact that a Recovery has been received by the Bond Trustee or the Bond Trustee has actual notice that a Recovery has been received by such Guaranteed Bondholder shall be deemed to be incorporated in the applicable Notice of Demand as of the date such Notice of Demand was originally prepared, without the need for any further action by any Person, and the Financial Guarantor shall pay the amount of the claim against the Financial Guarantor specified in paragraph (ii) of the Notice of Demand less the sum of the AGM Proportion of all such Recoveries or, in the case of any payment by the Financial Guarantor under clause 2.1.2 (Guarantee), the claim against AGUK specified in paragraph (ii) of the Notice of Demand less the sum of the AGUK Proportion of all such Recoveries.

3.3 The Financial Guarantor shall be entitled to elect, in its absolute discretion, to pay part or all of any Defaulted Amount to any such bank account as is specified by the Bond Trustee without the need for the Financial Guarantor to have Received, and irrespective of whether the Financial Guarantor shall have Received, a Notice of Demand therefor. Any such payment shall be considered a payment by the Financial Guarantor under this Financial Guarantee for all purposes. If requested by the Financial Guarantor, the Bond Trustee shall promptly deliver to the Financial Guarantor a properly completed and executed Notice of Demand in respect of any such payment made or to be made by the Financial Guarantor.

3.4 Payments due hereunder in respect of Guaranteed Amounts will be disbursed to or to the order of the Bond Trustee and credited (in immediately available funds) to the bank account (the “**Account**”) specified by the Bond Trustee in the applicable Notice of Demand or pursuant to clause 3.3 (Payments by the Financial Guarantor) or clause 4.2 (Acceleration). Payment in full to the Account shall discharge the obligations of

the Financial Guarantor under this Financial Guarantee to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Bond Trustee or any Agent.

- 3.5** Once payment by or on behalf of the Financial Guarantor of an amount in respect of any Guaranteed Amount (whether on a Scheduled Payment Date or pursuant to clause 3.3 (*Payments by the Financial Guarantor*) or on an accelerated basis pursuant to clause 4.2 (*Acceleration*)) has been made to the Account, the Financial Guarantor shall have no further obligations under this Financial Guarantee in respect of such Guaranteed Amount to the extent of such payment.

4 Acceleration

- 4.1** At any time or from time to time following Acceleration, the Financial Guarantor may decide, in its absolute discretion, to make an Accelerated Payment under this Financial Guarantee without the need for the Financial Guarantor to have Received, and irrespective of whether the Financial Guarantor shall have Received, a Notice of Demand.

- 4.2** The Financial Guarantor shall notify the Bond Trustee in writing of its intention to make an Accelerated Payment and the proposed date of such payment, no later than two Business Days prior to such proposed date of payment. Any such Accelerated Payment shall be considered a payment by the Financial Guarantor under this Financial Guarantee for all purposes. If so requested by the Financial Guarantor at the time the Financial Guarantor gives such written notice, the Bond Trustee shall deliver to the Financial Guarantor and AGUK a corresponding Notice of Demand.

5 Withholding Tax

All payments by the Financial Guarantor to or to the order of the Bond Trustee under this Financial Guarantee shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any sovereign state, or any political subdivision or governmental or taxing authority therein or thereof unless such withholding or deduction is required by law. If any withholding or deduction is so required by law, the Financial Guarantor shall pay such amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Financial Guarantor shall not be obliged to pay any amount to or to the order of the Bond Trustee in respect of the amount of such withholding or deduction.

6 Subrogation

- 6.1** The Financial Guarantor will be fully, immediately and automatically subrogated to the Guaranteed Bondholders' and the Bond Trustee's rights to payment of the Guaranteed Amounts, and to any rights relating thereto, to the fullest extent permitted by applicable law to the extent and at the time of any payments made by or on behalf of the Financial Guarantor under this Financial Guarantee, including, for the avoidance of doubt, any Accelerated Payment.

- 6.2** Any payment made by or on behalf of the Issuer to or for the benefit of the Bond Trustee or any Guaranteed Bondholder in respect of any Guaranteed Amount forming the basis of a claim hereunder (and a corresponding claim under this Financial Guarantee and/or the AGUK Bond Financial Guarantee, which claims shall have been paid in full by the Financial Guarantor and AGUK respectively) shall be received and held on trust by the recipient for the benefit of the Financial Guarantor and AGUK and shall be paid by the recipient over to the Financial Guarantor and AGUK pro rata in proportion to the respective amounts paid (i) by the Financial Guarantor in respect of a claim made pursuant to this Financial Guarantee, and (ii) by AGUK in respect of the related claim made pursuant to the AGUK Bond Financial Guarantee.

7 Waiver of Defences

7.1 The obligations of the Financial Guarantor under this Financial Guarantee will continue and will not be terminable other than in accordance with clause 12 (*Termination and Amendment*) notwithstanding failure to receive payment of the Financial Guarantee Fee or any other amount due in respect of this Financial Guarantee. The Financial Guarantee Fee is not refundable for any reason.

7.2 The Financial Guarantor acknowledges that there is no duty of disclosure by the Bond Trustee under this Financial Guarantee but nonetheless, to the fullest extent permitted by applicable law, hereby waives for the benefit of the Bond Trustee and the Guaranteed Bondholders and agrees not to assert any and all rights (whether by counterclaim, rescission, set-off or otherwise) and any and all equities and defences howsoever arising (including, without limitation, any right, equity or defence based on: (a) any right to require the Bond Trustee or any Guaranteed Bondholder first to proceed against or to enforce any other rights or security against, or to claim payment from, any Person (except in the case only of the guarantee set out in clause 2.1.2 (*Guarantee*), to the extent of the conditions set out in clause 3.1.2 (*Payments by the Financial Guarantor*)) before the Bond Trustee may claim from the Financial Guarantor under this Financial Guarantee; (b) fraud on the part of any Person (including fraud on the part of any agent for the Bond Trustee, but excluding fraud by the Bond Trustee itself); (c) misrepresentation, breach of warranty or non-disclosure of information by any Person; (d) any lack of validity or enforceability of the Guaranteed Bonds or the Bond Trust Deed; (e) any modification or any amendment to the Guaranteed Bonds or the Bond Trust Deed; (f) the granting of any time, indulgence or concession by any Person to the Issuer; (g) any insolvency or similar proceedings in respect of the Issuer or any other Person; (h) any lack of capacity, power or authority or any change in status of the Issuer or any other Person; or (i) the refusal or failure to take up, to hold, to perfect or to enforce by any Person any rights under or in connection with any guarantee (except in the case only of the guarantee set out in clause 2.1.2 (*Guarantee*), to the extent of the conditions set out in clause 3.1.2 (*Payments by the Financial Guarantor*)), indemnity, security or other document) to the extent such rights, equities and defences may be available to the Financial Guarantor to avoid payment of its obligations under this Financial Guarantee in accordance with the express provisions hereof.

7.3 No warranties are given and nothing in this Financial Guarantee is intended to constitute a warranty or a condition precedent to payment under the Financial Guarantee other than Receipt of a Notice of Demand in accordance with clause 8 (*Notice of Demand*) and, in the case only of the guarantee set out in clause 2.1.2 (*Guarantee*), the conditions set out in clause 3.1.2 (*Payments by the Financial Guarantor*).

7.4 Nothing in this Financial Guarantee shall be construed in any way to limit or otherwise affect the Financial Guarantor's right to pursue recovery or claims (based on contractual or other rights, including to the extent applicable such rights resulting from any Person's fraud, negligence or breach of any agreement to which it is a party) for reimbursement against any Persons for any liabilities, losses, damages, costs and expenses incurred by the Financial Guarantor or to exercise at any time any other remedies that may be available to the Financial Guarantor at law or in equity.

7.5 Nothing in this Financial Guarantee shall be construed to require payment by the Financial Guarantor so long as a Force Majeure Event is continuing, in which event the Financial Guarantor agrees to perform its obligations under this Financial Guarantee promptly following cessation of such Force Majeure Event (in the event that such cessation occurs during the Term of the Financial Guarantee).

8 Notice of Demand

8.1 Subject to clauses 2.2 (*Guarantee*), 3.3 (*Payments by the Financial Guarantor*) and 4 (*Acceleration*), payments of Guaranteed Amounts (including Avoided Payments) will only be made after presentation of a properly completed Notice of Demand signed by the Bond Trustee and Received by the Financial Guarantor.

- 8.2** Notices of Demand can only be given by the Bond Trustee in the manner set out in clause 11 (*Notices*).
- 8.3** Without limitation to the Financial Guarantor’s obligations under clause 8.5 (*Notice of Demand*), if any Notice of Demand is not in the proper form or is not properly completed, executed or delivered, the Financial Guarantor will not be deemed to have Received such Notice of Demand.
- 8.4** Any Notice of Demand in respect of an Avoided Payment will not be deemed properly completed unless it is accompanied by:
- 8.4.1** a copy of the Order; and
- 8.4.2** a certificate of the Bond Trustee that the Order has been entered and that, on the basis of legal advice received by the Bond Trustee, the Order is not subject to any stay and specifying the Guaranteed Amounts that are Avoided Payments.
- 8.5** The Financial Guarantor will promptly advise the Bond Trustee if a Notice of Demand is not in the proper form or has not been properly completed, executed or delivered and the Bond Trustee may submit an amended Notice of Demand to the Financial Guarantor.
- 9** Fiscal Agent
- 9.1** At any time during the Term of the Financial Guarantee, the Financial Guarantor may appoint a fiscal agent (the “**Fiscal Agent**”) for the purposes of this Financial Guarantee by written notice to the Bond Trustee, specifying the name and notice address of such Fiscal Agent. From and after the date of receipt of such notice by the Bond Trustee:
- 9.1.1** copies of all notices (including Notices of Demand) and other documents required to be delivered to the Financial Guarantor pursuant to this Financial Guarantee shall be simultaneously delivered to the Fiscal Agent and to the Financial Guarantor; and
- 9.1.2** all payments required to be made by the Financial Guarantor under this Financial Guarantee may be made directly by the Financial Guarantor or by the Fiscal Agent on behalf of the Financial Guarantor.
- 9.2** The Fiscal Agent is the agent of the Financial Guarantor only, and the Fiscal Agent shall in no event be liable to the Bond Trustee for any acts of the Fiscal Agent or any failure of the Financial Guarantor to deposit, or cause to be deposited, sufficient funds to make payments due under this Financial Guarantee.
- 10** Transfer
- 10.1** The rights and obligations of the Financial Guarantor under this Financial Guarantee may be assigned or transferred to, or assumed by, any Affiliate of the Financial Guarantor provided that:
- 10.1.1** no Financial Guarantor Default has occurred and is continuing at the time of such assignment, transfer or assumption or would occur as a result of such assignment, transfer or assumption;
- 10.1.2** the Financial Guarantor or such assignee, transferee or party assuming such rights and obligations delivers to the Bond Trustee either (i) written confirmation from the Rating Agencies providing the rating or (ii) other evidence reasonably satisfactory to the Bond Trustee that, at the time of and immediately following any such assignment, transfer or assumption, the financial strength or claims paying ability of such affiliate will be rated at least equal to the financial strength or claims paying ability of the Financial Guarantor at that time or, if such assignment, transfer or assumption is in connection with remedying a Financial Guarantor Downgrade Event pursuant to Condition 2(b)

(*Bond Financial Guarantees*) of the Conditions, the financial strength or claims paying ability of such affiliate will be rated as required under such Condition;

- 10.1.3 the Financial Guarantor or such assignee, transferee or party assuming such rights and obligations thereafter delivers to the Bond Trustee written notice of any such assignment, transfer or assumption;
 - 10.1.4 such transferee assumes the obligations of the Financial Guarantor under this Financial Guarantee and accedes to the relevant Issuer Finance Documents to which the Financial Guarantor is party; and
 - 10.1.5 the location of the transferee does not (a) result in any withholding or deduction for any taxes, duties, assessments, or other governmental charges of whatever nature in respect of any payment by such transferee hereunder, which withholding or deduction is not at the time of the relevant transfer applicable to any such payment by the Financial Guarantor hereunder, and (b) otherwise prevent payment being made in respect of any Guaranteed Amount where payment made by the Financial Guarantor hereunder is not prevented at the time of the relevant transfer.
- 10.2 The Bond Trustee may not transfer, assign, sub-participate, declare a trust over or otherwise dispose (other than in favour of the Guaranteed Bondholders) of any of its rights under this Financial Guarantee except to a Person as to whom the Financial Guarantor has given its prior written consent. However, if the Bond Trustee transfers or assigns its rights and obligations under the Bond Trust Deed to a new or additional trustee which has been appointed in accordance with the Bond Trust Deed, no such consent shall be required and such new or additional trustee will be able to enforce this Financial Guarantee and references in this Financial Guarantee to “**Bond Trustee**” shall be construed as including such new trustee or such additional trustee, as applicable.

11 Notices

- 11.1 All notices given under this Financial Guarantee shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail or personally delivered or emailed as follows:

To the Financial Guarantor:

Assured Guaranty Municipal Corp.
1633 Broadway
New York, NY 10019
United States of America

Attention: Chief Surveillance Officer

Re: Portsmouth Hospital, Financial Guarantee No. [●]
Telephone: +1 212 974 0100
Email: SurvPFireports@agltd.com

with a copy to the General Counsel at the above address and email address. Each Notice of Demand shall be marked to indicate URGENT MATERIAL ENCLOSED.

To the Bond Trustee:

HSBC Corporate Trustee Company (UK) Limited
Level 22
8 Canada Square
London E14 5HQ

Attention: Issuer Services Trustee Administration
Email: ctla.trustee.admin@hsbc.com

11.2 The Financial Guarantor or the Bond Trustee may designate an additional or different address, or telephone or email address, by prior written notice. Each notice, presentation, delivery and communication to the Financial Guarantor or the Bond Trustee shall be effective only upon Receipt by the Financial Guarantor or actual receipt by the Bond Trustee, as the case may be.

12 Termination and Amendment

12.1 Other than as set out in Clause 12.2, this Financial Guarantee is not cancellable by the Financial Guarantor for any reason, including, without limitation, the failure of the Financial Guarantor to receive payment of any Financial Guarantee Fee due in respect of this Financial Guarantee.

12.2 If the Trust notifies the Financial Guarantor, the Finance Provider and the Bond Trustee that the Trust intends to exercise the Instalment Option, then the Financial Guarantor shall have ten Business Days from its receipt of such notice (the “Financial Guarantee Termination Election Period”) to notify the Trust, the Finance Provider and the Bond Trustee in writing as to whether it elects to terminate this Financial Guarantee (and failing to give notice within the Financial Guarantee Termination Election Period shall be deemed to be notice to so terminate) or to continue the Term of the Financial Guarantee. Unless during the Financial Guarantee Termination Election Period the Financial Guarantor has given such notice that it elects not to so terminate, immediately following the end of the Financial Guarantee Termination Election Period (or, if earlier, the date the Financial Guarantor notifies that it is electing to terminate this Financial Guarantee pursuant to this Clause 12.2), this Financial Guarantee shall immediately terminate and the Financial Guarantor shall be entitled to be reimbursed for all amounts due to it under the Issuer Reimbursement and Indemnity Deed in accordance with the Issuer Security Trust and Intercreditor Deed and the Issuer Accounts Agreement.

12.3 This Financial Guarantee and the obligations of the Financial Guarantor hereunder shall terminate upon the expiration of the Term of the Financial Guarantee.

12.4 This Financial Guarantee may not be amended, modified or supplemented without the prior written consent of the Bond Trustee.

13 Miscellaneous

No waiver of any rights or powers of the Financial Guarantor or the Bond Trustee, or any consent by either of them, shall be valid unless in writing and signed by an authorised officer or agent of the Financial Guarantor or the Bond Trustee, as applicable. The waiver of any right by the Financial Guarantor or the Bond Trustee, or the failure promptly to exercise any such right, shall not be construed as a waiver of any right to exercise the same or any other right at any time thereafter.

14 Law and Jurisdiction

14.1 This Financial Guarantee, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, the laws of England and Wales.

14.2 With respect to any suit, action or proceedings relating to this Financial Guarantee (“**Proceedings**”), the Financial Guarantor irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings that such court does not have any jurisdiction over such party.

15 Entire Agreement

This Financial Guarantee constitutes the entire agreement between the Financial Guarantor and the Bond Trustee in relation to the Financial Guarantor’s obligation to make payments to the Bond Trustee for the benefit of the Guaranteed Bondholders in respect of the Guaranteed Amounts which become Due for Payment but shall be unpaid by reason of Non-payment by the Issuer, and supersedes any previous agreement between the Financial Guarantor and the Bond Trustee in relation thereto.

16 Third Party Rights

No Person other than the Bond Trustee shall have rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Financial Guarantee but this shall not affect any such right any Person may have otherwise than by virtue of such Act.

17 Property/Casualty Insurance Security Fund

This Financial Guarantee is not covered by the Property/Casualty Security Fund specified in Article 76 of the New York Insurance Law.

18 Surrender of Financial Guarantee

The Bond Trustee shall deliver its original engrossment of this Financial Guarantee to the Financial Guarantor upon expiration of the Term of the Financial Guarantee.

In witness whereof, this Financial Guarantee has been executed as a deed and delivered on the date inserted above.

Executed as a deed for and on behalf of)
ASSURED GUARANTY MUNICIPAL)
CORP.)
a company constituted in the State of)
New York acting by:)

being a person/persons who, in accordance with the laws of that territory, is/are duly authorised to act on behalf of the company

.....

ANNEX
FORM OF NOTICE OF DEMAND

Assured Guaranty UK Limited
11th Floor
6 Bevis Marks
London, EC3A 7BA

Assured Guaranty Municipal Corp.
1633 Broadway
New York, NY 10019
USA

Attention:

Chief Surveillance Officer and

General Counsel

The undersigned, [●] as Bond Trustee (the “**Bond Trustee**”), hereby certifies to each of Assured Guaranty UK Limited (“**AGUK**”) and Assured Guaranty Municipal Corp. (“**AGM**” and, together with AGUK, the “**Financial Guarantors**”) with reference to Financial Guarantee No. [●] (the “**AGUK Bond Financial Guarantee**”) and Financial Guarantee number [●] (the “**AGM Bond Financial Guarantee**” and, together with the AGUK Bond Financial Guarantee, the “**Bond Financial Guarantees**”) that:

- (i) [The Guaranteed Amount[s] that [is/are] due and payable on the Scheduled Payment Date falling on [insert applicable payment date] [is/are] [●][insert applicable amount[s]]./The Guaranteed Amount[s] that [was/were] paid, credited, transferred or delivered to or to the order of the Bond Trustee or the Guaranteed Bondholders by or on behalf of the Issuer in accordance with the terms of the Bond Trust Deed and/or the Guaranteed Bonds on [insert applicable payment date] of [●][insert applicable amount[s]] [was/were] recovered from, or [was/were] otherwise required to be returned or repaid by, the Bond Trustee or [a/the] Guaranteed Bondholder[s] as a result of Insolvency Proceedings by or against the Issuer on [insert applicable repayment date].]
- (ii) [The deficiency with respect to the Guaranteed Amount Due for Payment and unpaid by reason of Non-payment by the Issuer on the Scheduled Payment Date falling on [insert applicable payment date] is [●] [insert applicable amount] (the “**Defaulted Amount**”), the AGUK Proportion of such Defaulted Amount is [●] and the AGM Proportion of such Defaulted Amount is [●]/[The Bond Trustee has been notified by the Account Bank that the deficiency in respect of the Guaranteed Amount[s] which [is/are] Due for Payment on the Scheduled Payment Date falling on [insert applicable payment date] will be [●] [insert applicable amount] (the “**Defaulted Amount**”). The AGUK Proportion of such Defaulted Amount is [●] and the AGM Proportion of such Defaulted Amount is [●]].]
- (iii) The Bond Trustee is making (a) a claim against AGUK under the AGUK Bond Financial Guarantee for the AGUK Proportion of the Defaulted Amount, and (b) a claim against AGM under the AGM Bond Financial Guarantee for the AGM Proportion of the Defaulted Amount, with each such amount to be applied to the payment of the above-described Guaranteed Amount[s].
- (iv) To the extent that AGUK does not pay the AGUK Proportion of any Defaulted Amount when due and payable by AGUK in accordance with the terms of the AGUK Bond Financial Guarantee, the Bond Trustee is making a claim against AGM under clause 3.1.2 (*Payments by the Financial Guarantor*) of the AGM Bond Financial Guarantee for such amount. The Bond Trustee agrees that any payment by AGM of such amount

shall discharge AGUK from any obligation to make such payment under the AGUK Bond Financial Guarantee.

- (v) The Bond Trustee agrees that following any payment by the Financial Guarantors made with respect to the Defaulted Amount which is the subject of this Notice of Demand, it (a) will cause such amounts to be applied directly to the payment of the applicable Guaranteed Amount[s] in accordance with [clause 7.9 of the Bond Trust Deed]; (b) will ensure that such funds are not applied for any other purpose; and (c) will cause an accurate record of such payment to be maintained with respect to the appropriate Guaranteed Amount(s), the corresponding claim on each Financial Guarantee, and the proceeds of such claim.
- (vi) Payments should be made by credit to the following account:

[(insert details of bank account)] (the “**Account**”).

Capitalised terms used in this Notice of Demand and not otherwise defined herein shall have the respective meanings ascribed thereto in or pursuant to the applicable Financial Guarantee.

This Notice of Demand may be revoked at any time by written notice of such revocation by the Bond Trustee to each Financial Guarantor, if and only to the extent that moneys are actually received by the Bond Trustee prior to any such revocation from a source other than the Financial Guarantors with respect to the Defaulted Amount set forth herein. The Bond Trustee will withdraw this Notice of Demand, or submit a restated Notice of Demand reducing the amount of the claim hereunder, if the required amount of the Defaulted Amount and accordingly each of the AGUK Proportion and the AGM Proportion thereof has been reduced (including reduction to zero) on or prior to the date the Financial Guarantors are required to make payment under the Bond Financial Guarantees.

If the Bond Trustee has received, or the Bond Trustee has actual notice that one or more Guaranteed Bondholders has received, from the Issuer or the Financial Guarantors, an amount in excess of a Defaulted Amount, the Bond Trustee shall promptly return to each Financial Guarantor the lesser of (i) such Financial Guarantor’s proportionate share in such excess amount (such share being calculated by a fraction equal to the amount of the Defaulted Amount paid by the relevant Financial Guarantor to or to the order of the Bond Trustee divided by the total Defaulted Amount paid by both Financial Guarantors to or to the order of the Bond Trustee) and (ii) the amount of the Defaulted Amount paid by the relevant Financial Guarantor to or to the order of the Bond Trustee and not previously distributed by the Bond Trustee to the Guaranteed Bondholders or to any insolvency official appointed in respect of the Issuer. For the avoidance of doubt the Bond Trustee shall only be required to repay any such amounts to the Financial Guarantors that are in the Bond Trustee’s possession and under its control, at the time it becomes aware of the requirement to repay such amounts, and the Bond Trustee shall have no liability to any Person for any amounts received by the Bond Trustee from the Financial Guarantors but distributed by the Bond Trustee in accordance with the preceding sentence.

The Bond Trustee acknowledges that as of the date on which any payment by the relevant Financial Guarantor towards a Defaulted Amount is credited to the Account, the relevant Financial Guarantor shall be deemed fully, immediately and automatically subrogated, to the fullest extent permitted by applicable law, to the rights (including, without limitation, any rights and benefits attached thereto, and any security granted at law, by contract or otherwise) of the Guaranteed Bondholders to payment of the Guaranteed Amounts to the extent and at the time of such payment by the relevant Financial Guarantor towards the Defaulted Amount.

The Bond Trustee hereby (i) assigns to each Financial Guarantor its rights to receive any payment for the account of the Guaranteed Bondholders from the Issuer in respect of the Guaranteed Bonds to the extent of any payments made to (or to the order of) the Bond Trustee by the relevant Financial Guarantor under the applicable Financial Guarantee, including without limitation its right to receive payments of principal and interest on the Guaranteed Bonds (including Recoveries), and (ii) confirms that it has taken or will promptly take all steps

reasonably required by, and at the expense of, the Financial Guarantors to effect and to perfect such assignments to the Financial Guarantors. The foregoing assignments are in addition to, and not in limitation of, rights of subrogation otherwise available to each Financial Guarantor in respect of such payments. Payments to each Financial Guarantor in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Bond Trustee to receive all Guaranteed Amounts in respect of the Guaranteed Bonds. The Bond Trustee shall cooperate in all reasonable respects, and at the expense of the Financial Guarantors, with any request by either Financial Guarantor for action necessary to preserve or to enforce such Financial Guarantor's rights and remedies, any related security arrangements or otherwise in relation to such subrogation. The Bond Trustee shall also, at the expense of the Financial Guarantors, deliver any such instruments as may be reasonably requested or required by the Financial Guarantors to effectuate the purpose or provisions of this paragraph.

Any payment made by or on behalf of the Issuer to or for the benefit of the Bond Trustee in respect of any Guaranteed Amount forming the basis of a claim hereunder (which claim shall have been paid in full by the Financial Guarantors) shall be received and held on trust for the benefit of the Financial Guarantors and shall be paid over to each Financial Guarantor pro rata in proportion to the respective amounts each Financial Guarantor paid in respect of the Defaulted Amount.

The Bond Trustee hereby agrees that so long as no Financial Guarantor Default shall have occurred and be continuing, each Financial Guarantor may at any time during the continuation of any Insolvency Proceeding by or against the Issuer under any applicable law direct all matters relating thereto, including without limitation, (a) all matters relating to any claim in connection with an Insolvency Proceeding by or against the Issuer seeking the avoidance as a preferential transfer of any payment made with respect to the Guaranteed Bonds (a "**Preference Claim**"), (b) the direction of any appeal of any order relating to any Preference Claim at the expense of the Financial Guarantors and (c) the posting of any surety or performance bond pending any such appeal.

[Pursuant to clause 9.4 (Notice of Demand) of the Financial Guarantee, the following documents are attached:

- a copy of the Order; and
- a certificate of the Bond Trustee that the Order has been entered and that, on the basis of legal advice received by the Bond Trustee, the Order is not subject to any stay and specifying (to the extent that the Bond Trustee has actual knowledge sufficient to do so), the Guaranteed Amounts that are Avoided Payments.]*

*To be inserted if demand relates to Avoided Payments.

This Notice of Demand, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, the laws of England and Wales.

[With respect to any suit, action or proceedings relating to this Notice of Demand ("**Proceedings**"), the Bond Trustee irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings that such court does not have any jurisdiction over it.]***

**For use when the Bond Trustee is not incorporated in England and Wales.

No Person, other than each Financial Guarantor, shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Notice of Demand but this shall not affect any such right any Person may have otherwise than by virtue of such Act.

In witness whereof, the undersigned has executed and delivered this Notice of Demand as a deed on the [●]
day of [●] of 2[●].

EXECUTED as a DEED for and on behalf of
[●] acting by its lawful Attorney:

Attorney

in the presence of:

Signature of Witness:

Name of Witness:

Address:

Occupation:

For the Financial Guarantor or
Fiscal Agent use only
Wire transfer sent on
Confirmation Number:

By:

DESCRIPTION OF THE FINANCIAL GUARANTORS

The information in this section contains statements regarding projections and expectations of the Financial Guarantors. These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operations or financial performance. All of the Financial Guarantors' forward looking statements in this Prospectus are based on current expectations and the current economic environment and may vary materially from what is stated in this Prospectus if the performance of the related transactions is positively or negatively affected by economic, fiscal and financial market variability or for other reasons related to such transactions.

1 Assured Guaranty UK Limited

1.1 General

Assured Guaranty UK Limited ("**AGUK**") is a direct wholly-owned subsidiary of Assured Guaranty Municipal Corp. ("**AGM**" and together with AGUK, "**Assured Guaranty**"), an insurance company organised under the laws of the State of New York, U.S.A. AGM is an indirect wholly-owned subsidiary of Assured Guaranty Ltd. ("**AGL**"), a Bermuda based holding company that provides, through its operating subsidiaries, credit protection products and asset management services. AGL provides credit protection products to the U.S. and international public finance (including infrastructure) and structured finance markets, and manages assets across collateralised loan obligations ("**CLOs**"), long-duration opportunity funds, and liquid strategies that build on its corporate credit, municipal bond, asset-backed finance and healthcare structured capital experience. AGL's shares are publicly listed on the New York Stock Exchange under the symbol "**AGO**".

AGUK was incorporated with limited liability in England on 8 June 1990 pursuant to the Companies Acts 1985 and 1989 with registered number 02510099. AGUK was authorised on 29 April 1994, originally by the UK Department of Trade and Industry and subsequently by the UK Financial Services Authority, to carry out and effect three classes of general insurance business in the United Kingdom, specifically: classes 14 (credit), 15 (suretyship) and 16 (miscellaneous financial loss) (firm reference number 202896). From 1 April 2013, AGUK is authorised by the UK Prudential Regulatory Authority (the "**PRA**") and regulated by the PRA and the FCA. These permissions are sufficient for AGUK to effect and carry out financial guaranty insurance and reinsurance in the UK.

On 7 November 2018, AGUK combined its operations with those of its then European subsidiaries, Assured Guaranty (UK) plc, Assured Guaranty (London) plc and CIFG Europe SA. Under the combination, the subsidiaries transferred their insurance portfolios and merged with and into AGUK. The subsidiaries were immediately dissolved on the date of the combination without going into liquidation.

AGUK's registered office is located at 11th Floor, 6 Bevis Marks, London EC3A 7BA, United Kingdom, Telephone: +44 (0)207 562 1900. AGUK's legal and commercial name is Assured Guaranty UK Limited.

AGUK is dependent on AGM in that AGM supports AGUK through certain contractual arrangements, see the section entitled "*Material Contracts*" below.

1.2 Ratings

S&PGRUK has endorsed the financial strength and financial enhancement ratings of "AA" (stable outlook) assigned to AGUK by S&PGR; Moody's has endorsed the IFSR of "A2" (stable outlook) assigned to AGUK by Moody's Inc.; and KBRAUK has endorsed the IFSR of "AA+" (stable outlook) assigned to AGUK by KBRA.

On 16 July 2020, S&PGRUK affirmed its endorsement of the "AA" (stable) financial strength and financial enhancement ratings of AGUK. On 13 August 2019, Moody's affirmed its endorsement of the "A2" (stable outlook) IFSR of AGUK. On 29 October 2020, KBRAUK affirmed its endorsement of the AA+ (stable outlook) IFSR of AGUK.

Neither S&PGRUK nor KBRAUK rate the Bonds.

AGUK periodically assesses the value of each rating assigned to it, and as a result of such assessment may request that a rating agency add or drop a rating. AGUK can give no assurance as to any further ratings action that the rating agencies may take, voluntarily or at the request of AGUK.

Each rating of AGUK should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any bond or other security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGUK in its sole discretion. In addition, the rating agencies may at any time change AGUK's ratings outlooks or place AGUK's ratings on a watch list for possible downgrade. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any bond or other security guaranteed by AGUK.

AGUK only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds or other securities guaranteed by AGUK on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant financial guarantee), and does not guarantee the market price or liquidity of the bonds or other securities it insures, nor does it guarantee that the ratings on such bonds or other securities will not be revised or withdrawn.

1.3 Overview of AGUK's Business

AGUK provides financial guarantees in the United Kingdom and other European countries for public finance, structured finance and other project and infrastructure finance transactions.

Financial guarantees generally guarantee to the holder of the guaranteed obligation the timely payment of principal of and interest on such obligation in accordance with such obligation's original payment schedule in the event of a payment default by the obligor. Accordingly, in the case of a default on the guaranteed obligation, payments under the financial guarantee may not be accelerated without AGUK's consent.

Financial guarantees on public infrastructure finance transactions are typically issued in connection with transactions in which the bonds or other securities being issued are secured by or payable from cashflows coming either from a government or a quasi-governmental entity, or from users of the relevant asset (e.g., passengers on a light rail system or drivers on a toll road). Projects financed under the UK Government's Public Private Partnership based model typically involve the construction of an asset (e.g., hospital, school, court buildings) and its ongoing management and maintenance for an agreed duration in return for which a performance-based fee is paid by the relevant public sector body; this fee is used to pay interest on and amortise the debt that is guaranteed by the relevant financial guarantor.

Financial guarantees on structured finance or asset-backed obligations are typically issued in connection with transactions in which the bonds or other securities being issued are secured by or payable from a specific pool of assets having an ascertainable cash flow or market value and held by a special purpose issuing entity.

New business written by AGUK is guaranteed using a co-guarantee structure pursuant to which AGUK co-guarantees municipal and infrastructure transactions with AGM and structured finance transactions with its affiliate Assured Guaranty Corp. ("**AGC**"). As described elsewhere in this Prospectus with respect to the Bonds and below under the section entitled Material Contracts, AGUK covers 15% of the total exposure and AGM (or AGC for structured finance transactions) guarantees the remaining exposure under the transaction (subject to compliance with European Economic Area (the "**EEA**") licensing requirements). In its financial guarantee, AGM (or AGC for structured finance transactions) also will provide a second-to-pay guarantee to cover AGUK's share of the total exposure.

1.4 Information

Copies of the annual financial statements filed with the Registrar of Companies in the United Kingdom are available upon request to AGUK at its registered office. See also the section entitled "*Documents Incorporated by Reference*" below.

1.5 Recent Developments

Since 31 December 2020, the date as at which its latest audited accounts were prepared, AGUK has continued to conduct its financial guarantee business in the United Kingdom and certain other non-EU countries.

There are no governmental, legal or arbitration proceedings (pending or threatened) of which AGUK is aware during the previous 12 months which may have, or have had in the recent past, significant effects on AGUK's financial position or profitability.

Through 2019, AGUK wrote business in the UK and various countries throughout the European Union (the "EU") as well as certain other non-EU countries. In mid-2019, to address the impact of the withdrawal of the United Kingdom from the EU, AGL established Assured Guaranty (Europe) SA ("AGE SA") as a French incorporated company. AGE SA was authorised by the French insurance and banking supervisory authority (the Autorité de Contrôle Prudentiel et de Résolution), to conduct financial guarantee business from 2 January 2020 and from that date AGUK ceased the underwriting of new business within the EEA.

In October 2020, and in preparation for the United Kingdom's withdrawal from the EU ("Brexit"), AGUK transferred to AGE SA under Part VII of the Financial Services and Markets Act 2000 those of its existing financial guarantees affected by Brexit (the "Part VII Transfer"). This resulted in the transfer of 79 financial guarantee policies with associated gross unearned premiums of approximately £97m to AGE SA, along with the related reinsurance and ancillary contracts. In support of the Part VII Transfer, in 2020, AGUK paid a dividend of £97.6m to AGM; the dividend was contributed to AGE SA.

AGUK will continue to write new business in the United Kingdom and certain other non-EU countries.

1.6 Directors of AGUK

The following is a list of the members of the board of directors of AGUK by name and function and sets forth any principal activities of such members outside of AGUK:

Name	Function	Principal Activities Outside of AGUK
Robert Bailenson	Executive	Chief Financial Officer, Assured Guaranty Ltd.
Mark Batten	Non-Executive	Non-executive director of other UK companies, covering property, NHS Trust, education and financial intermediation
Dominic Frederico	Executive	Chief Executive Officer and President, Assured Guaranty Ltd.
Samantha Hoe-Richardson	Non-Executive	Non-executive roles at other UK companies

Dominic Nathan	Executive	None
Nick Proud	Executive	None
Penelope Shaw	Non-Executive	Non-executive roles at other UK companies
David Todd	Non-Executive	Non-executive roles at other UK companies

The business address of Messrs. Nathan and Proud and of Messrs. Barrington, Batten and Leathes, in their capacity as non-executive directors, is 11th Floor, 6 Bevis Marks, London EC3A 7BA, United Kingdom. The business address of Mr. Bailenson is 1633 Broadway, New York, New York 10019, United States of America. The business address of Mr. Frederico is 30 Woodbourne Avenue, Hamilton, Bermuda HM 08.

As at the date of this Prospectus, the above-mentioned board members of AGUK do not have potential conflicts of interests between any duties to AGUK and their private interests or other duties that are material to the Bonds.

1.7 Insurance Regulation

AGUK is authorised by the PRA and regulated by the PRA for prudential regulation and by the FCA for conduct of business, in the conduct of its financial guarantee business in the United Kingdom.

The PRA has a general regulatory objective to promote the safety and soundness of the firms which it regulates, thereby supporting the stability of the UK financial system, and a specific insurance objective to contribute to securing an appropriate degree of protection for those who are or may become policyholders. The PRA applies new threshold conditions (“**Threshold Conditions**”), which insurers must meet, and against which the PRA will assess them on a continuous basis. These Threshold Conditions include that (a) an insurer, which is incorporated in the United Kingdom, should have its head office (and registered office, if different) in the United Kingdom; (b) an insurer's business must be conducted in a prudent manner — in particular, that the insurer maintains appropriate financial and non-financial resources; (c) the insurer must be fit and proper, including that the individuals managing its business have adequate skills and experience; and (d) the insurer must be capable of being effectively supervised by reference to a number of matters including whether it is a member of a group which might prevent the PRA's effective supervision and the complexity of its business and products.

Solvency

Under Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (“**Solvency II**”), which took effect from 1 January 2016 as implemented in the United Kingdom by virtue of the EUWA, AGUK is subject to certain limits and requirements, including the maintenance of a minimum solvency capital requirement (which depends on the type and amount of insurance business a company writes and the other risks to which it is exposed) and the establishment of technical provisions, which include projected losses and premium earnings. Failure to maintain capital at least equal to the capital requirements under Solvency II is one of the grounds on which the wide powers of intervention conferred upon the PRA may be exercised.

Among other things, Solvency II introduced a revised risk-based prudential regime which includes the following features: (1) assets and liabilities are generally to be valued at their market value; (2) the amount of required economic capital is intended to ensure, with a probability of 99.5%, that regulated insurance firms are able to meet their obligations to policyholders and beneficiaries over the following 12 months; and (3) reinsurance recoveries are treated as a separate asset (rather than being netted off the underlying insurance liabilities). AGUK calculates its solvency capital requirements under Solvency II using the Standard Formula.

Financial Services Compensation Scheme

The beneficiaries of AGUK's Financial Guarantees are not protected by the Financial Services Compensation Scheme.

1.8 Financial Information

The audited accounts of AGUK for the years ended 31 December 2020 and 31 December 2019 prepared in accordance with UK GAAP, have been filed with the FCA and are incorporated by reference in this Prospectus and included in paragraphs 1 and 2 of the section entitled "*Documents Incorporated by Reference*" below. Other than as may be described under the section entitled "*Description of the Financial Guarantors – Assured Guaranty UK Limited – Recent Developments*" above, there has been no material adverse change in the prospects of AGUK since 31 December 2020 (being the date to which AGUK's most recent audited financial statements have been prepared). Other than the Part VII Transfer and its impact on AGUK, there has been no significant change in the financial performance or financial position of AGUK since 31 December 2020 (being the date to which AGUK's most recent audited financial statements have been prepared).

1.9 Auditors

AGUK's auditors are PricewaterhouseCoopers LLP ("**PwC**"), 7 More London Riverside, London SE1 2RT. PwC is a member of the Institute of Chartered Accountants in England and Wales.

PwC's reports on the audited accounts of AGUK for the years ended 31 December 2020 and 31 December 2019 are included with such accounts, which are included in paragraphs 1 and 2 of the section entitled "*Documents Incorporated by Reference*" below.

1.10 Material Contracts

Except as discussed below, AGUK has not entered into contracts outside the ordinary course of business that could result in AGUK being under an obligation or entitlement that is material to AGUK's ability to meet its obligations to the Bond Trustee under the AGUK Bond Financial Guarantee.

AGUK and AGM in 2011 implemented a co-guarantee structure pursuant to which (i) AGUK directly guarantees a specified portion of the obligations issued in a particular transaction rather than guaranteeing 100% of the issued obligations, (ii) AGM directly guarantees the balance of the guaranteed obligations, and (iii) AGM also provides a second-to-pay guarantee for AGUK UK's portion of the guaranteed obligations. The current co-guarantee split is 15% AGUK and 85% AGM.

Separate and apart from the co-guarantee structure, AGM provides support to AGUK through a quota share and excess of loss reinsurance agreement (the "**Reinsurance Agreement**") and a net worth maintenance agreement (the "**Net Worth Agreement**" and together with the Reinsurance Agreement, the "**Assured Guaranty Agreements**"). Under the quota share cover of the Reinsurance Agreement, AGM reinsures approximately 95-99% of AGUK's retention (after cessions to other reinsurers) of outstanding financial guarantees that AGUK wrote prior to the implementation of the co-guarantee structure in 2011. Such cover also generally obliges AGM to reinsure 85% of municipal, utility, project finance or infrastructure risks or similar business that AGUK has written since October 2018 without utilising the co-guarantee structure, but there is currently no such outstanding business at AGUK. AGM secures its quota share reinsurance obligations to AGUK under the

Reinsurance Agreement by posting collateral in trust equal to 102% of the sum of AGM's assumed share of the following in respect of the reinsured AGUK policies: (i) AGUK's unearned premium reserve (net of AGUK's reinsurance premium payable to AGM); (ii) AGUK's provisions for unpaid losses and allocated loss adjustment expenses (net of any salvage recoverable), and (iii) any unexpired risk provisions of AGUK, in each case (i) - (iii) as calculated by AGUK in accordance with UK GAAP.

Under the excess of loss cover of the Reinsurance Agreement, AGM is obligated to pay AGUK quarterly the amount (if any) by which (i) the sum of (a) AGUK's incurred losses, calculated in accordance with UK GAAP as reported by AGUK in its financial returns filed with the PRA, and (b) AGUK's paid losses and loss adjustment expenses, in both cases net of all other performing reinsurance (including the reinsurance provided by AGM under the quota share cover of the Reinsurance Agreement), exceeds (ii) an amount equal to (a) AGUK's capital resources under UK law minus (b) 110% of the greatest of the amounts as may be required by the PRA as a condition for maintaining AGUK's authorisation to carry on a financial guarantee business in the UK.

AGUK may terminate the Reinsurance Agreement upon the occurrence of any of the following events: (i) AGM's ratings by Moody's fall below "Aa3" or its ratings by S&PGR fall below "AA-" (and AGM fails to restore such rating(s) within a prescribed period of time); (ii) AGM's insolvency, failure to maintain the minimum capital required under AGM's domiciliary jurisdiction, filing a petition in bankruptcy, going into liquidation or rehabilitation or having a receiver appointed; or (iii) AGM's failure to maintain its required collateral described above.

Under the Net Worth Agreement, AGM is obligated to cause AGUK to maintain capital resources equal to 110% of the greatest of the amounts as may be required by the PRA as a condition for maintaining its authorisation to carry on a financial guarantee business in the United Kingdom, provided that AGM's contributions (i) do not exceed 35% of AGM's policyholders' surplus as determined by the laws of the State of New York, and (ii) are in compliance with a provision of the New York Insurance Law requiring notice to or approval by the New York State Department of Financial Services (the "NYSDFS") for transactions between affiliates that exceed certain thresholds. The Net Worth Agreement clarifies that any amounts due thereunder will take into account all amounts paid or reasonably expected to be paid under the Reinsurance Agreement. The Net Worth Agreement also includes termination provisions substantially similar to those in the Reinsurance Agreement. AGM has never been required to make any contributions to AGUK's capital under the current Net Worth Agreement or its prior net worth maintenance agreements.

On the basis of the support provided by the Assured Guaranty Agreements, AGUK has the same ratings as AGM. Bondholders should note that AGUK's ability to maintain its current rating and to perform its obligations under its financial guarantees, including the AGUK Bond Financial Guarantee, substantially depends on the ability of AGM to perform its obligations under the Assured Guaranty Agreements.

The Bondholders should also note that the Assured Guaranty Agreements are entered into for the benefit of AGUK and are not, and should not be regarded as, guarantees by AGM of the payment of any indebtedness, liability or obligations of the Issuer or AGUK, including the Bonds or the AGUK Bond Financial Guarantee. The Assured Guaranty Agreements are not guarantees for the benefit of the Bondholders. Neither the Bond Trustee nor Bondholders have any recourse to AGM in respect of the Assured Guaranty Agreements.

Payment of Guaranteed Amounts that are Due for Payment (as defined in the Bond Financial Guarantees) on the Bonds and unpaid by reason of Non-payment by the Issuer (as defined in the Bond Financial Guarantees) will be guaranteed by AGUK and AGM pursuant to the Bond Financial Guarantees but will not be additionally covered by the Assured Guaranty Agreements.

2 Assured Guaranty Municipal Corp.

2.1 General

AGM is an insurance company organised under the laws of the State of New York, U.S.A. AGM is an indirect wholly-owned subsidiary of AGL, a Bermuda based holding company that provides, through its operating subsidiaries, credit protection products and asset management services. AGL provides credit protection products to the U.S. and international public finance (including infrastructure) and structured finance markets, and manages assets across CLOs and long-duration opportunity funds that build on its corporate credit, asset-backed finance and healthcare structured capital experience.

AGM was organised in the State of New York, U.S.A. as an insurance company on 16 March 1984 and commenced operations in 1985. AGM is registered with The National Association of Insurance Commissioners with identifying number NAIC #18287. AGM maintains its principal executive offices at 1633 Broadway, New York, New York 10019, U.S.A. The telephone number of AGM is +1 212 974 0100. AGM's legal and commercial name is Assured Guaranty Municipal Corp.

2.2 Ratings

S&PGRUK has endorsed the financial strength and financial enhancement ratings of "AA" (stable outlook) assigned to AGM by S&PGR; KBRAUK has endorsed the IFSR of "AA+" (stable outlook) assigned to AGM by KBRA; and Moody's has endorsed the IFSR of "A2" (stable) assigned to AGM by Moody's Inc.

On 16 July 2020, S&PGRUK affirmed its endorsement of the "AA" (stable) financial strength and financial enhancement ratings of AGM. On 29 October 2020, KBRAUK affirmed its endorsement of the "AA+" (stable outlook) IFSR of AGM. On 13 August 2019, Moody's affirmed its endorsement of the "A2" (stable outlook) IFSR of AGM.

Neither S&PGRUK nor KBRAUK rate the Bonds.

AGM periodically assesses the value of each rating assigned to it, and as a result of such assessment may request that a rating agency add or drop a rating. AGM can give no assurance as to any further ratings action that any rating agency may take.

Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any bond or other security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's ratings outlooks or place AGM's ratings on a watch list for possible downgrade. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any bond or other security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds or other securities guaranteed by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant financial guarantee), and does not guarantee the market price or liquidity of the bonds or other securities it insures, nor does it guarantee that the ratings on such bonds or other securities will not be revised or withdrawn.

2.3 Overview of AGM's business

AGM provides financial guarantees to issuers both within and outside the U.S. In Europe, it provides co-insurance on public finance and other project and infrastructure finance transactions with AGUK (see the section entitled "*Description of the Financial Guarantors - Assured Guaranty UK Limited – Overview of AGUK's Business*" above). Since mid-2008, AGM has provided financial guaranty insurance and reinsurance on debt obligations issued in the U.S. public finance and global infrastructure markets. AGM's direct subsidiaries, AGUK and, most recently, AGE SA, provide financial guaranties for the international public finance (including infrastructure) market and the asset-backed and other structured finance markets. Previously,

AGM also offered insurance and reinsurance in the global structured finance market. Like AGUK, AGM's financial guarantees generally guarantee to the holder of the guaranteed obligation the timely payment of principal of and interest on such obligation in accordance with such obligation's original payment schedule. Accordingly, in the case of a default on the guaranteed obligation, payments under the financial guarantee may not be accelerated without AGM's consent. AGM guarantees obligations issued principally in the U.S. and the United Kingdom, and also guarantees obligations issued in other countries and regions, including Western Europe, Canada and Australia.

2.4 Information

The quarterly and annual statements filed by AGM in the U.S. are available in the "Investor Information" section of Assured Guaranty's website at www.assuredguaranty.com. See also the section entitled "*Documents Incorporated by Reference*" below.

2.5 Recent Developments

Since 31 December 2020, the date as at which its latest audited consolidated financial statements were prepared, AGM has continued to conduct its financial guarantee business in the U.S. and the other countries.

There are no governmental, legal or arbitration proceedings (pending or threatened) of which AGM is aware during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on AGM's financial position or profitability other than as set forth in AGM's audited consolidated financial statements as of 31 December 2020.

2.6 Directors of AGM

The following is a list of the members of the board of directors of AGM by name and function and sets forth any principal activities of such members outside of AGM:

<u>Name</u>	<u>Function</u>	<u>Principal Activities Outside of AGM</u>
Howard W. Albert	Executive	Chief Risk Officer, Assured Guaranty Ltd.
Robert A. Bailenson	Executive	Chief Financial Officer, Assured Guaranty Ltd.
Russell B. Brewer II	Executive	Chief Surveillance Officer and Chief Information Officer, Assured Guaranty Ltd.
David Buzen	Executive	Chief Executive Officer and Chief Investment Officer, Assured Investment Management
Ling Chow	Executive	General Counsel and Secretary, Assured Guaranty Ltd.
Stephen Donnarumma	Executive	Chief Credit Officer of AGC and MAC

Dominic Frederico (Chairman)	Executive	Chief Executive Officer and President, Assured Guaranty Ltd.
Alfonso Pisani	Executive	Treasurer of AGC and MAC
Benjamin Rosenblum	Executive	Chief Actuary of AGC and MAC

The business address of Messrs. Albert, Bailenson, Brewer, Buzen, Donnarumma, Pisani, Rosenblum and of Ms. Chow is 1633 Broadway, New York, New York 10019, U.S. The business address of Mr. Frederico is 30 Woodbourne Avenue, Hamilton, Bermuda HM 08.

As at the date of this Prospectus, the above-mentioned board members of AGM do not have potential conflicts of interests between any duties to AGM and their private interests or other duties that are material to the Bonds.

2.7 Insurance Regulation

AGM is licensed to do business as an insurance company in all fifty states of the United States, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. It is subject to the insurance laws and regulations of the State of New York, its state of incorporation, which has a comprehensive financial guarantee insurance law, and the insurance laws and regulations of other jurisdictions in which it is licensed to transact business. These laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance departments, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, meet certain financial tests, including single risk limits and minimum policyholders' surplus and reserve levels, file certain reports with regulatory authorities, including information concerning their capital structure, ownership and financial condition, and require prior approval of certain changes in control of domestic insurance companies and their direct and indirect parents and the payment of certain dividends and distributions. In addition, these laws and regulations require approval of certain intercorporate transfers of assets and certain transactions between insurance companies and their direct and indirect parents and affiliates, and generally require that all such transactions have terms no less favourable than terms that would result from transactions between parties negotiating at arm's length.

U.S. state insurance laws and regulations (as well as the rating agencies) impose minimum capital requirements on financial guarantee insurance companies, limiting the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. Such companies can use reinsurance to diversify risk, increase underwriting capacity, reduce additional capital needs, stabilise shareholder returns and strengthen financial ratios.

AGM is a party to ceded reinsurance treaties and facultative reinsurance agreements with various third party, unaffiliated reinsurers and with Assured Guaranty Re Ltd. ("**AGR**") and Assured Guaranty Corp. (formerly Radian Asset Assurance Inc.), both of which are now affiliated with AGM, but which were unaffiliated with AGM at the time the parties entered into such treaties and agreements. These treaties and agreements cover AGM's outstanding book of municipal bond and structured and international finance business, except that they generally do not apply to outstanding business that AGM has written since 2008. AGM entered into such treaties and agreements in order to reduce its large risks, to manage its portfolio of insurance by bond type and geographic distribution, and/or to obtain additional capacity for frequent municipal bond issuers. Under such agreements, portions of AGM's interests and liabilities have been ceded on an issue-by-issue basis and AGM has received ceding commissions from the reinsurers to defray its underwriting expenses.

AGM also has a quota share treaty with AGR, which provides for AGR to share a percentage of premiums and losses with AGM. This treaty applies to business written by AGM after 2008, including current business.

As a primary insurer, AGM is required to honour its obligations to its policyholders whether or not its reinsurers perform their obligations under the various reinsurance agreements with AGM detailed above.

AGM is required to file quarterly and annual statutory financial statements in the United States, and is subject to single and aggregate risk limits and other statutory restrictions concerning the types and quality of investments and the filing and use of policy forms and premium rates. In addition,

AGM's accounts and operations are subject to periodic examination by the NYSDFS and its market conduct is subject to review by the NYSDFS and other state insurance regulatory authorities.

The beneficiaries of AGM's Bond Financial Guarantee are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the Insurance Law of the State of New York, U.S.

AGM is not authorised or regulated by the PRA or the FCA in the United Kingdom.

2.8 Financial Information

The audited consolidated balance sheets of AGM as of 31 December 2020 and 31 December 2019 and the related consolidated statements of operations, of comprehensive income (loss), of shareholder's equity and of cash flows for the years then ended, prepared in accordance with U.S. GAAP, have been filed with the FCA and are included in paragraph 3 in the section entitled "*Documents Incorporated by Reference*" below.

Other than as may be described under the section entitled "*Description of the Financial Guarantors – Assured Guaranty Municipal Corp. – Recent Developments*" above, there has been no material adverse change in the prospects of AGM since 31 December 2020 (being the date to which AGM's most recent audited consolidated financial statements have been prepared).

There has been no significant change in the financial performance or financial position of AGM since 31 December 2020 (being the date to which AGM's most recent audited consolidated financial statements have been prepared).

2.9 Auditors

AGM's auditors are PricewaterhouseCoopers LLP ("**PwC U.S.**"), 300 Madison Avenue, New York, New York 10017 U.S.A. PwC U.S. is a member of the American Institute of Certified Public Accountants.

PwC U.S.'s report on the audited consolidated financial statements of AGM for the years ended 31 December 2020 and 31 December 2019 are included with such accounts, which are included in paragraph 3 of the section entitled "*Documents Incorporated by Reference*" below.

2.10 Material Contracts

AGM has not entered into contracts outside the ordinary course of business that could result in AGM being under an obligation or entitlement that is material to AGM's ability to meet its obligations to the Bond Trustee under the AGM Bond Financial Guarantee. See the section entitled "*Description of the Financial Guarantors – Assured Guaranty UK Limited – Material Contracts*" above for more detail on the Assured Guaranty Agreements.

DESCRIPTION OF THE ISSUER, ISSUER HOLDCO, PROJECTCO AND PROJECTHOLDCO

The following is a summary description of the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo and should be read in conjunction with the rest of this Prospectus.

1 The Issuer

The Issuer was incorporated in England and Wales on 15 January 2021 under the Companies Act 2006 as a public limited company with registered number 13136352 and has obtained its certificate to commence business and borrow under section 761 of the Companies Act 2006.

The Issuer has not, since its date of incorporation, carried on any business or activities other than those incidental to its registration, the refinancing of the Project and other matters described or contemplated in this Prospectus. The Issuer has been incorporated as a special purpose company for the purpose of issuing the Bonds and entering into the Issuer Finance Documents to which it is a party. The registered office of the Issuer is at C/O Intertrust Management Limited, 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX (telephone number +44 (0)207 3986 374). The Issuer has not published any audited financial accounts since its incorporation.

As at the date of this Prospectus, the Issuer is a wholly-owned subsidiary of Issuer HoldCo and its issued share capital was increased to £50,000 divided into 50,000 ordinary shares of £1 each of which 1 share of £1 is fully paid, and the remaining 49,999 Ordinary Shares have been paid up to one-quarter. The rights of Issuer HoldCo as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed by its directors in accordance with those articles of association and with the provisions of English law.

Directors	Function	Address	Principal Activities
Paivi Helena Whitaker	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX	Directorships in various SPVs
Intertrust Directors 1 Limited	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX	Directorships in various SPVs
Directors of Intertrust Directors 1 Limited:			Susan Iris Abrahams Wenda Margaretha Adriaanse Ian Hancock Daniel Marc Richard Jaffe Paivi Helena Whitaker

Intertrust Directors Limited	2	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX	Directorships in various SPVs
Directors of Intertrust Directors 2 Limited:				Susan Iris Abrahams Wenda Margaretha Adriaanse Ian Hancock Daniel Marc Richard Jaffe Paivi Helena Whitaker

There are no actual or potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or duties.

2 Issuer HoldCo

Issuer HoldCo was incorporated in England and Wales on 14 January 2021 under the Companies Act 2006 as a private limited company with registered number 13134179. The registered office of Issuer HoldCo is at C/O Intertrust Management Limited, 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX (telephone number +44 (0) 207 398 6374).

Issuer HoldCo is a special purpose company established to act as a holding company. The Issuer HoldCo has not, since its date of incorporation, carried on any business or activities other than those incidental to its registration, acting as a holding company and entering into the Issuer Finance Documents to which it is a party. The registered office of Issuer HoldCo is at C/O Intertrust Management Limited, 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX (telephone number +44 (0) 207 398 6374. Issuer HoldCo has not published any audited financial accounts since its incorporation.

Issuer HoldCo is wholly-owned by Intertrust Corporate Services Limited. The authorised share capital of Issuer HoldCo is £1 divided into 1 Ordinary Share of £1 value, which has been issued and fully paid. The share in Issuer HoldCo is held on discretionary trust in favour of certain unspecified charitable beneficiaries in accordance with a Share Trust Deed dated 20 January 2021.

Directors	Function	Address	Principal Activities	
Paivi Helena Whitaker	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX	Directorships in various SPVs	
Intertrust Directors Limited	1	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX	Directorships in various SPVs

Directors of Intertrust Directors 1 Limited:			Susan Iris Abrahams Wenda Margaretha Adriaanse Ian Hancock Daniel Marc Richard Jaffe Paivi Helena Whitaker
Intertrust Directors Limited	2	Director	1 Bartholomew Lane, United Kingdom, EC2N 2AX Directorships in various SPVs
Directors of Intertrust Directors 2 Limited:			Susan Iris Abrahams Wenda Margaretha Adriaanse Ian Hancock Daniel Marc Richard Jaffe Paivi Helena Whitaker

There are no actual or potential conflicts of interest between the duties to Issuer Holdco of the persons listed above and their private interests or duties.

3 ProjectCo

ProjectCo was incorporated in England and Wales on 29 April 2005 under the Companies Act 2006 as a private limited company with registered number 05439918. The registered office of ProjectCo is at 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ (telephone number +44 (0)161 697 3141).

ProjectCo has, since its date of incorporation, carried on business and activities in relation to the Project. ProjectCo is a special purpose company established to enter into the documentation relating to the Project to which it is expressed to be a party. ProjectCo has published audited financial accounts since its incorporation.

ProjectCo is wholly-owned by ProjectHoldCo. The authorised share capital of ProjectCo is £50,000 divided into 50,000 ordinary shares of £1 each of which 50,000 Ordinary Shares have been issued and fully paid.

Directors	Function	Address	Principal Activities
Natalia Poupard	Director	Level 7, One, Bartholomew Close, London, England, EC1A 7BL	<p>Director of:</p> <p>The Hospital Company (QAH Portsmouth) Holdings Limited</p> <p>The Hospital Company (QAH Portsmouth) Limited</p> <p>Education 4 Ayrshire Limited</p> <p>Education 4 Ayrshire (Holdings) Limited</p> <p>Axiom Education (Perth & Kinross) Limited</p> <p>Axiom Education (Edinburgh) Limited</p> <p>Axiom Education (Perth & Kinross) Holdings Limited</p> <p>Axiom Education (Edinburgh) Holdings Limited</p> <p>RSP (Holdings) Limited</p> <p>Zealburg Holdings Limited</p> <p>Yorker Holdings PKR Limited</p> <p>The Renfrewshire Schools Partnership Limited</p> <p>Falkirk Schools Gateway HC Limited</p> <p>Falkirk Schools Gateway Limited</p> <p>Kajima Darlington Schools Limited</p>

			<p>Wooldale Partnerships Holdings Limited</p> <p>Bootle Accommodation Partnership Holding Limited</p> <p>Kajima Haverstock Holding Limited</p> <p>Kajima North Tyneside Limited</p> <p>Kajima Darlington Schools Holding Limited</p> <p>Bootle Accommodation Partnership Limited</p> <p>Kajima Haverstock Limited</p> <p>Children's Ark Partnerships Holdings Limited</p> <p>Wooldale Partnerships Limited</p> <p>Children's Ark Partnerships Limited</p> <p>Kajima Newcastle Libraries Limited</p> <p>Redwood Partnership Ventures Limited</p> <p>Ealing Schools Partnerships Limited</p> <p>Kajima Newcastle Libraries Holding Limited</p> <p>Ealing Schools Partnerships Holdings Limited</p> <p>Kajima North Tyneside Holdings Limited</p> <p>Ochre Solutions (Holdings) Limited</p>
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			<p>Ochre Solutions Limited</p> <p>The Hospital Company (Oxford John Radcliffe) Holdings Limited</p> <p>The Hospital Company (Oxford John Radcliffe) Limited</p>
Scott Springett	Director	12 Charles II Street, London, England, SW1Y 4QU	<p>Director of:</p> <p>Daiwater Investment Limited</p> <p>Affinity Water Holdco Finance Limited</p> <p>Affinity Water Capital Funds Limited</p> <p>Affinity Water Acquisitions Limited</p> <p>Affinity Water Acquisitions (Midco) Limited</p> <p>Affinity Water Acquisitions (Investments) Limited</p> <p>Affinity Water Acquisitions (Holdco) Limited</p> <p>CAE Aircrew Training Services Plc</p> <p>CVS Leasing Limited</p> <p>Helix Acquisition Limited</p> <p>Helix Midco Limited</p> <p>High Speed One (HS1) Limited</p> <p>CTRL (UK) Limited</p> <p>Betjeman Holdings Midco Limited</p>

			High Speed Rail Finance Plc
			Betjeman Holdings Limited
			Betjeman Holdings JVCO Limited
			Helix Bufferco Limited
			HS1 Limited
			High Speed Rail Finance (1) Plc
			Aspire Defence Finance Plc
			Aspire Defence Limited
			Aspire Defence Holdings Limited
			The Hospital Company (QAH Portsmouth) Limited
			The Hospital Company (QAH Portsmouth) Holdings Limited
			Tanglin Property Holdings Ltd

There are no actual or potential conflicts of interest between the duties to ProjectCo of the persons listed above and their private interests and or other duties.

4 ProjectHoldCo

ProjectHoldCo was incorporated in England and Wales on 29 April 2005 under the Companies Act 2006 as a private limited company with registered number 05440243. The registered office of ProjectHoldCo is at 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ, (telephone number +44 (0) 161 697 3141).

ProjectHoldCo has, since its date of incorporation, carried on business and activities in relation to the financing of the Project. ProjectHoldCo is a special purpose company established to act as a holding company. ProjectHoldCo has published audited financial accounts since its incorporation.

ProjectHoldCo is wholly-owned by Infrastructure Investments (Portsmouth) Limited. The authorised share capital of ProjectHoldCo is £50,000 divided into 50,000 Ordinary Shares of £1 each of which 50,000 Ordinary Shares have been issued and fully paid.

Directors	Function	Address	Principal Activities
Natalia Poupard	Director	Level 7, One, Bartholomew Close, London, England, EC1A 7BL	Director of: The Hospital Company (QAH Portsmouth) Holdings Limited The Hospital Company (QAH Portsmouth) Limited Education 4 Ayrshire Limited Education 4 Ayrshire (Holdings) Limited Axiom Education (Perth & Kinross) Limited Axiom Education (Edinburgh) Limited Axiom Education (Perth & Kinross) Holdings Limited Axiom Education (Edinburgh) Holdings Limited RSP (Holdings) Limited Zealburg Holdings Limited Yorker Holdings PKR Limited The Renfrewshire Schools Partnership Limited Falkirk Schools Gateway HC Limited Falkirk Schools Gateway Limited
			Kajima Darlington Schools Limited

			<p>Wooldale Partnerships Holdings Limited</p> <p>Bootle Accommodation Partnership Holding Limited</p> <p>Kajima Haverstock Holding Limited</p> <p>Kajima North Tyneside Limited</p> <p>Kajima Darlington Schools Holding Limited</p> <p>Bootle Accommodation Partnership Limited</p> <p>Kajima Haverstock Limited</p> <p>Children's Ark Partnerships Holdings Limited</p> <p>Wooldale Partnerships Limited</p> <p>Children's Ark Partnerships Limited</p> <p>Kajima Newcastle Libraries Limited</p> <p>Redwood Partnership Ventures Limited</p> <p>Ealing Schools Partnerships Limited</p> <p>Kajima Newcastle Libraries Holding Limited</p> <p>Ealing Schools Partnerships Holdings Limited</p> <p>Kajima North Tyneside Holdings Limited</p>
			Ochre Solutions (Holdings) Limited

			<p>Ochre Solutions Limited</p> <p>The Hospital Company (Oxford John Radcliffe) Holdings Limited</p> <p>The Hospital Company (Oxford John Radcliffe) Limited</p>
Scott Springett	Director	12 Charles II Street, London, England, SW1Y 4QU	<p>Director of:</p> <p>Daiwater Investment Limited</p> <p>Affinity Water Holdco Finance Limited</p> <p>Affinity Water Capital Funds Limited</p> <p>Affinity Water Acquisitions Limited</p> <p>Affinity Water Acquisitions (Midco) Limited</p> <p>Affinity Water Acquisitions (Investments) Limited</p> <p>Affinity Water Acquisitions (Holdco) Limited</p> <p>CAE Aircrew Training Services Plc</p> <p>CVS Leasing Limited</p> <p>Helix Acquisition Limited</p> <p>Helix Midco Limited</p> <p>High Speed One (HS1) Limited</p> <p>CTRL (UK) Limited</p> <p>Betjeman Holdings Midco Limited</p>

			<p>High Speed Rail Finance Plc</p> <p>Betjeman Holdings Limited</p> <p>Betjeman Holdings JVCO Limited</p> <p>Helix Bufferco Limited</p> <p>HS1 Limited</p> <p>High Speed Rail Finance (1) Plc</p> <p>Aspire Defence Finance Plc</p> <p>Aspire Defence Limited</p> <p>Aspire Defence Holdings Limited</p> <p>The Hospital Company (QAH Portsmouth) Limited</p> <p>The Hospital Company (QAH Portsmouth) Holdings Limited</p> <p>Tanglin Property Holdings Ltd</p>
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There are no actual or potential conflicts of interest between the duties to ProjectHoldCo of the persons listed above and their private interests or duties.

DESCRIPTION OF THE SHAREHOLDER

The following is a description of Infrastructure Investments (Portsmouth) Limited and InfraRed Capital Partners Limited and should be read in conjunction with the rest of this Prospectus.

Infrastructure Investments (Portsmouth) Limited ("IIPL")

IIPL was incorporated in England and Wales on 14 June 2010 as a private limited company with registered number 07283778. The registered office of IIPL is at Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL. The company's immediate parent is Infrastructure Investments (Holdings) Limited, incorporated in England and Wales. The ultimate controlling entity is HICL Infrastructure PLC ("**HICL**"), incorporated in England and Wales with registered number 11738373 and listed on the London Stock Exchange.

InfraRed Capital Partners Limited ("**InfraRed**"), HICL's fund manager, is an English limited company registered in England & Wales under number 03364976 and authorised and regulated by the FCA (authorisation number 195766). InfraRed is a part of SLC Management which is the institutional alternatives and traditional asset management business of Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "**Sun Life**").

Background to InfraRed

InfraRed is an international alternative asset manager focused on infrastructure and real estate. Since its inception, InfraRed has launched 21 funds, including two infrastructure investment companies listed on the London Stock Exchange, and completed more than 400 transactions across its infrastructure and real estate businesses. It has over USD 12 billion of equity under management in private and listed funds.

InfraRed's business traces its roots back to Charterhouse Bank which established a property finance business specialising in senior and mezzanine lending in 1987. In 1990, the business started principal investment activities and in 1998 it established its fund management platform. The infrastructure investment, real estate lending and real estate investment divisions of Charterhouse Bank were internally transferred in 1999 to create Charterhouse Specialist Investments, which was acquired by the HSBC Group in 2000 and changed its name to HSBC Specialist Investments. In April 2011, the business completed a management buy-out and was rebranded as 'InfraRed Capital Partners'.

On 1st July 2020, InfraRed announced the completion of the purchase by Sun Life of a majority stake in InfraRed. Pursuant to this transaction, Sun Life acquired an 80% stake in InfraRed with a put and call option for the InfraRed owners' remaining equity interest, exercisable after four and five years respectively. The transaction structure commits InfraRed's current partners to management continuity. InfraRed has now become Sun Life's global infrastructure equity investment business and will continue as a distinct business under SLC Management, the alternatives asset manager of Sun Life.

Sun Life is a leading international financial services organisation providing insurance, wealth and asset management solutions to individual and corporate clients. Sun Life has operations in a number of markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda. As of 30 September 2020, Sun Life had total assets under management of CAD 1.18 trillion.

DESCRIPTION OF THE PROJECT DOCUMENTS

The following is a summary of the principal terms of the Project Documents and should be read in conjunction with the rest of the Prospectus. This summary is not exhaustive but focuses on issues of particular interest to prospective Bondholders. This description of the Project Documents does not purport to be complete and is subject to the detailed provisions of the relevant documents.

Terms used in this section “Description of the Project Documents” which have been capitalised and which are not otherwise defined in this Prospectus bear the same meaning as in the Project Agreement. Where appropriate for ease of reference, such terms are defined (or their definitions summarised) below.

1 The Project Agreement

1.1 Parties and Term

1.1.1 Parties

The parties to the Project Agreement are the Trust and ProjectCo.

1.1.2 Term

The Project Agreement came into full force and effect on 15 December 2005. The Project Agreement will, save where terminated earlier in accordance with its terms, terminate automatically on the expiry of the “Project Term” (being the date 35 years after the date of execution, midnight on 15 December 2040, or such other date as agreed).

1.2 The Facilities

For the purposes of the Project Agreement, the “Facilities” comprise the Queen Alexandra Hospital, buildings and other facilities, together with all supporting infrastructure (including the Plant and the Category A Equipment and Category B Equipment) and amenities located on the Site as required to enable ProjectCo to comply with its obligations under the Project Agreement.

1.3 The Works

The design (including the preparation of all Design Data), construction, testing, commissioning and completion of the New Facilities (including the New Hospital Buildings, the Car Parks and the CHP Plant and any temporary works), off-site highway works (including access to and from the highway), the installation of Category A Equipment, Category B Equipment and Category E Equipment to be performed by ProjectCo in accordance with the Project Agreement and the carrying out of the Retained Estate Works and any Retained Estate Additional Works including the Excluded Works (the “**Works**”), completed pursuant to the terms of the Construction Contract dated 15 December 2005. All construction works were completed in June 2010 (Phase 1 completion certificated as having occurred on 16 August 2007, Phase 2 completion certified as having occurred on 19 June 2009, and Phase 3 completion certificated as having occurred on 24 June 2010).

As of 1 May 2020, ProjectCo has taken on all those works required to ensure the Site and the Facilities will be the subject of comprehensive, suitable and sufficient joint Fire Risk assessments as required under Law and the Regulatory Reform (Fire Safety) Order 2005 (“**Fire Improvement Works**”) at its own cost (though there are elements of cost sharing with the Trust). ProjectCo has arranged, under the Framework Agreement, for the Fire Improvement Works to be sub-contracted to AMS under the Framework Agreement. Currently professional indemnity insurance for fire protection and cladding is generally no longer available in the market. Although AMS has professional indemnity cover for defect rectification, it does not have cover for fire related works. However, the Fire Improvement Works are being undertaken based upon an agreed fire strategy between the Trust, ProjectCo and Hampshire Fire

and Rescue. The Fire Improvement Works themselves are following the design solution produced in the Olsen Report. These works are being undertaken by FIRAS accredited contractors and all works have completion certificates and fire certificates. The components installed, alarms, doors, dampers are all covered by manufacture's fire certification. ProjectCo has ensured that each element of work is acknowledged by all parties (including Hampshire Fire and Rescue) as complete.

1.4 Utilities

ProjectCo is responsible for the procurement of utilities to the Site. The utilities include but are not limited to gas, electricity, oil, water, sewerage and waste disposal. The cost of these utilities is passed by ProjectCo to the Trust and, generally, the price and volume risk rests with the Trust. The exceptions are: (i) the water volume risk (as metered) sits with the Trust, but any additional water used as a result of a known leak at the Facilities shall be a fixed volume agreed between the Trust and ProjectCo; and so additional volume beyond that agreed level is at the risk of ProjectCo; and (ii) the both volume and price for waste payable by the Trust is set according to defined levels in the Project Agreement, and though the pricing is indexed, any volume or price incurred beyond those agreed levels are at the risk of ProjectCo. However, these risks are passed down to the Service Provider.

There is a CHP system installed on the Site which produces heat and electricity on site which is taken into account as part of the payments by the Trust to ProjectCo. ProjectCo (passed on to the Service Provider) and the Trust share the savings that this system generates, where ProjectCo will receive 30% of the value of the generated electricity and heat as part of the Service Payment.

1.5 Lifecycle and Estates Maintenance Service

ProjectCo takes responsibility for Estate and Maintenance Service of all physical assets comprising the Site.

1.6 Site Risks

Under the Project Agreement, ProjectCo bears substantially all risks relating to the Site, including its physical properties, ground conditions and the presence of contamination (excluding pre-existing ground conditions or contamination in certain scenarios).

1.7 The Services

The services to be provided or procured by ProjectCo are set out in Schedule 14 to the Project Agreement, which contains the Service Requirements and Service Level Specifications ("SLSs"). The SLSs relate to the following service categories:

- (i) General service;
- (ii) Car parking services;
- (iii) Non patient Catering services;
- (iv) Patient Catering services;
- (v) Domestic services;
- (vi) Estates and Maintenance service;
- (vii) Helpdesk services;
- (viii) Grounds Maintenance services;
- (ix) Pest Control services;

- (x) Porter services;
- (xi) Postal services;
- (xii) Receipt and Distribution services;
- (xiii) Security services;
- (xiv) Telecommunication services;
- (xv) Linen, Laundry and Sewing services;
- (xvi) Waste management services; and
- (xvii) Utilities Management services.

ProjectCo must perform each of the services listed above in accordance with the applicable SLSs and Method Statement. Compliance with these is monitored and scored against defined criteria prescribed in the Project Agreement and failures in service performance may result in deductions from the Service Payment. See the section entitled “*Description of the Project Documents — Payment Mechanism*” below.

Responsibility for the supply, installation, commissioning, maintenance and disposal of Equipment is as scheduled in the Equipment Responsibility Matrix attached as Annex 1 to Schedule 13 to the Project Agreement. The Equipment Responsibility Matrix divides responsibility between ProjectCo and the Trust. ProjectCo is responsible for the maintenance of the categories of Equipment specified in Schedule 13 until expiry of or termination of the Project Agreement. Maintenance must be carried out in accordance with ProjectCo’s obligations set out in Schedules 13 and 14 to the Project Agreement.

1.8 Service Payment

1.8.1 Payment

The Service Payment is payable by the Trust monthly, with each instalment being due within twenty (20) Business Days of receipt of the other party’s invoice in which the invoice is delivered, subject to any deductions the Trust is entitled to make.

At the end of each month, the Payment Mechanism in the Project Agreement is operated to assess whether the Trust is entitled to any Service Payment deductions in respect of service performance and/or unavailability in respect of that month.

1.8.2 Indexation

The Service Payment is subject to indexation in line with RPI. Indexation is applied on 1 April each year by reference to the change in that index as published for the preceding February. The Project Agreement provides that if RPI ceases to be published or undergoes a fundamental change, it will be adjusted or replaced with another index agreed by the Parties (or the indexation will be adjusted as the parties agree) with the intention of putting the parties in no better and no worse position than they would have been had there been no cessation of publication or fundamental change.

1.9 Trust Step-In

Where (i) ProjectCo is in breach of any of its obligations under the Project Agreement which may create an immediate and serious threat to the health and safety of any user of the Facilities, may result in a material disruption in the provision of one or more of the services or is prejudicial to the ability of the Trust to provide Clinical Services to a material degree; (ii) a Service is allocated more than a specified number of Service Failure Points in a single month; or (iii) ProjectCo is not in breach of its obligations

but the Trust consider that the circumstances constitute an emergency, the Trust may step-in and procure performance itself of that Service (using third parties, if necessary but not Retained Staff Members without the prior written consent of ProjectCo), until such time as ProjectCo and its Services Contractor can demonstrate their ability to resume performance of that Service in compliance with the Project Agreement.

Upon the Trust stepping-in, ProjectCo will receive full payment for the relevant Service (without deductions under the Payment Mechanism). However, there will be set-off against the Service Payment of any cost incurred by the Trust in stepping-in.

The Trust may also step-in in circumstances not involving any breach or failure by ProjectCo or its Services Contractor, where the Trust considers it necessary by reason of emergency. In such cases, the Trust is not entitled to set-off its costs of stepping-in against the Service Payment and the Trust shall indemnify ProjectCo from all additional direct reasonable costs, losses, expenses or damages suffered in relation to the undertaking of such steps over and above that which would have been incurred by ProjectCo in the proper performance of its obligations.

1.10 Compensation Events/Delay Events

As the works phase has now passed, the Compensation Event/Delay Event provisions in the Project Agreement have not been summarised in this Prospectus.

1.11 Relief Events

1.11.1 List of Events

“Relief Events” comprise a list of specified events namely:

- (i) fire, explosion, lightning, storm, tempest, floods, bursting or overflowing of water tanks, apparatus or pipes, ionising radiation (to the extent it does not constitute a Force Majeure Event), earthquake, riot or civil commotion;
- (ii) failure by any statutory undertaker, utility company, local authority or other like body to carry out works or to provide services;
- (iii) accidental loss or damage to the Works and/or Facilities or any roads servicing the same;
- (iv) without prejudice to any obligation of ProjectCo to provide stand-by power in accordance with the Trust’s Construction Requirements or the Service Level Specifications, failure or shortage of power, fuel or transport;
- (v) blockade or embargo falling short of a Force Majeure Event;
- (vi) discovery of fossils, antiquities or human remains; or
- (vii) any official or unofficial strike, lockout, go-slow or other dispute generally affecting the construction, building maintenance, or facilities management industries (or a significant sector of that industry).

None of the above will be treated as a Relief Event if caused (directly or indirectly) by the wilful act or default of the party claiming relief and/or:

- (i) in the case of ProjectCo claiming relief, any ProjectCo Party; and
- (ii) in the case of the Trust claiming relief, any Trust Party.

In order to claim any relief following the occurrence of a Relief Event, the party claiming relief must apply by notice in accordance with procedures and deadlines prescribed by the Project Agreement.

1.11.2 Nature of Relief

In all cases where a Relief Event causes ProjectCo's inability to perform its obligations under the Project Agreement, ProjectCo is relieved from any termination which might otherwise have resulted from such non-performance. The party affected by a Relief Event is under a duty to take all reasonable steps to mitigate the consequences of such an event upon the performance of its obligations and to resume performance as soon as practicable and use all reasonable endeavours to remedy its failure to perform.

1.11.3 Financial Consequences

The occurrence of a Relief Event does not entitle ProjectCo to recover additional payment from the Trust and in almost all cases as between ProjectCo and the Trust, ProjectCo bears the financial consequences of any Relief Events under the Project Agreement, namely no compensation is payable to ProjectCo and no relief from Deductions is granted where the Relief Event has affected Services performance or made the Facilities Unavailable for use by the Trust. The consequences of a Relief Event may include physical loss and damage to the Facilities or equipment and ProjectCo will be required (as against the Trust) to reinstate this at its cost and ProjectCo would expect to manage where possible any such exposure by way of insurance.

Consequences of a Relief Event which causes deductions from the Service Payment will in most cases be passed down in part to the respective Services Contractor by deduction from their respective payments, subject to their agreed liability caps.

1.12 Force Majeure Events

1.12.1 List of Force Majeure Events

"Force Majeure Events" comprises the following events:

- (i) war, civil war, armed conflict or terrorism;
- (ii) nuclear contamination not caused by ProjectCo or a ProjectCo Party;
- (iii) chemical or biological contamination of the Works and/or the Facilities and/or the Site, the Hospital Site and/or the Site arising from the events referred to in (i) above; and
- (iv) pressure waves caused by devices travelling at supersonic speed,

which directly causes either party to be unable to comply with all or a material part of its obligations under the Project Agreement.

1.12.2 Immediate Consequences of a Force Majeure Event

If a party is rendered unable to perform its obligations under the Project Agreement due to a Force Majeure Event, it is relieved from liability to the extent that it is not able to perform its obligations under the Project Agreement due to such Force Majeure Event.

Where a party is (or claims to be) affected by an event of Force Majeure Event it shall take all reasonable steps to mitigate the consequences of such an event upon the performance of its obligations under the Project Agreement, resume performance of its obligations affected by the event of Force Majeure Event as soon as practicable and use all reasonable endeavours to remedy its failure to perform.

The party claiming relief shall serve written notice on the other party within five (5) Business Days of it becoming aware of the relevant Force Majeure Event. Such notice shall give sufficient details to identify the particular event claimed to be a Force Majeure Event.

A subsequent written notice shall be served by the party claiming relief on the other party within a further five (5) Business Days which shall contain such relevant information relating to the failure to perform (or delay in performing) as is available, including (without limitation) the effect of the Force Majeure Event on the ability of the party to perform, the action being taken to mitigate the consequences of the Force Majeure Event, the date of the occurrence of the Force Majeure Event and an estimate of the period of time required to overcome it and/or its effects.

The party claiming relief must notify the other as soon as the consequences of the Force Majeure Event have ceased and when performance of its affected obligations can be resumed.

If, following the issue of any notice referred to above, the party claiming relief receives or becomes aware of any further information relating to the Force Majeure Event, it must submit this information to the other party as soon as reasonably possible.

The parties must endeavour to agree any modifications to the Project Agreement which may be equitable having regard to the nature of a Force Majeure Event. However, if the Trust and ProjectCo fail to reach an agreement to modify the Project Agreement, the Dispute Resolution Procedure will not apply.

1.12.3 Consequences of Prolonged Force Majeure Event

If there is a Force Majeure Event which has prevented either party from complying with a material obligation for six months, either party may terminate the Project Agreement. See the section entitled “*Description of the Project Documents — Project Agreement — Termination of the Project Agreement*” below.

1.12.4 Financial Consequences of Force Majeure Event

No compensation is payable to ProjectCo under the Project Agreement for the financial consequences of a Force Majeure Event (unless and until the Project Agreement is terminated).

1.13 Excusing Causes

1.13.1 List of Excusing Causes

“Excusing Causes” include:

- (i) any breach of any express provision of the Project Agreement, the Retained Staff Agreement and/or the Services Leases by the Trust or any Trust Party (unless, and to the extent caused or contributed to by ProjectCo or any ProjectCo Party);
- (ii) any deliberate act or omission of the Trust or any Trust Party or a failure by the Trust or a Trust Party to take reasonable steps to carry out its activities in a manner which minimises undue interference with ProjectCo’s performance of its obligations except where (and to the extent):
 - (a) caused or contributed to by ProjectCo or any ProjectCo Party;
 - (b) the Trust or Trust Party is acting in accordance with a recommendation or instruction of ProjectCo or any ProjectCo Party;
 - (c) any act or omission giving rise to the failure was within the contemplation of the parties or was otherwise provided for in the Project Agreement; or

- (d) the consequences of any such deliberate act or omission or other acts or omissions giving rise to the failure would have been prevented by the proper performance of ProjectCo's obligations under the Project Agreement;
- (iii) the outbreak or effects of an outbreak of Medical Contamination unless and to the extent that the effects of such outbreak are caused (or contributed to) by any failure of ProjectCo or any ProjectCo Party to comply with procedures (or Trust instructions) relating to control of infection or to take all reasonable steps to mitigate the effect of such Medical Contamination;
- (iv) the implementation of any step-in rights by the Trust or any Trust Party or any suspension of ProjectCo's obligation to deliver any or any part of the Services, or the compliance by ProjectCo with instructions given by the Trust;
- (v) the carrying out of minor works requested by the Trust on a basis similar to a Variation (referred to as "**Small Works**") during the period of time agreed between the Trust and ProjectCo;
- (vi) official or unofficial strike, lockout, go-slow or other dispute directly arising out of the Retention of Employment Model or a dispute as to whether the date upon which any Trust Employee becomes a Retained Employee is the date for commencement for the provision of the Retained Services to the extent that this does not arise (directly or indirectly) as a result of any act or omission of ProjectCo or any ProjectCo Party (other than the Retained Staff Members);
- (vii) the carrying out of planned preventative maintenance according to schedules agreed with the Trust;
- (viii) certain hidden or dormant defects or use of deleterious materials in the sub-structure, frame, upper floors, roof structure, stair structure or external walls of the Retained Estate attributable to defective design and workmanship or use of defective or deleterious materials by those other than ProjectCo having regard to good industry practice and to the appropriate British Standards current at the date of the Project Agreement and which is not within the knowledge of ProjectCo at the date of the Project Agreement (provided that this does not include an absence of insulation) (a "**Latent Defect**") until the Trust has issued a Qualifying Variation in respect of it;
- (ix) the occurrence of issues relating to unforeseen ground conditions and/or Contamination on the Site to the extent in each case that the Trust is responsible for them;
- (x) until the Trust has issued a Qualifying Variation in respect of the same, the occurrence of the circumstances described in and subject to the provisions of the Project Agreement on the list of items to exclude from ProjectCo's Proposals as notified by the Trust to ProjectCo and/or asbestos (provided that ProjectCo is responsible for the removal, encapsulation or compliance with Law in relation to asbestos pursuant to Clause the Project Agreement);
or
- (xi) ProjectCo being prevented from carrying out the Services as a result of an action which is legally binding on ProjectCo which is pursued by a person other than the Trust in respect of any right, title or interest in the Site of such person. Provided that where the right, title or interest in the Site is not a lease, licence or other informal arrangement of a similar nature. However, this shall not be treated as an Excusing Cause in respect of:

- (a) a matter of which ProjectCo is aware or which would be revealed by certain inspections and searches; or
- (b) a matter set out in the Disclosed Data.

Where a cause is said to be an Excusing Cause save to the extent that some other cause operates, the relevant financial effects of the said cause shall be apportioned between the Trust or Trust Party on the one hand, and ProjectCo on the other, by reference to the respective influence of each cause.

1.13.2 Effect of Excusing Causes

If an Excusing Cause adversely affects the performance of ProjectCo's obligations and/or causes the occurrence of a Service Failure, then (subject to the giving of notice in accordance with the procedures and deadlines prescribed by the Project Agreement and a duty to mitigate) ProjectCo's failure to perform will not constitute a breach of any provisions of the Project Agreement and ProjectCo will be relieved from liability for deductions from the Service Payment.

If an Excusing Cause adversely affects the carrying out of Commercial Income Matters then (subject to the giving of notice in accordance with the procedures and deadlines prescribed by the Project Agreement and a duty to mitigate) the Trust will compensate ProjectCo for the loss of income from the relevant Affected Service in an amount such that ProjectCo is in no better or worse a position than it would have been had the relevant Excusing Cause not occurred and provided ProjectCo can demonstrate that the loss of income from the relevant Affected Service as a direct result of the Excusing Cause is in the sum of at least £10,000 (as indexed) in aggregate in any twelve month period, and compensation shall not exceed the UP Support for the relevant Affected Service. Compensation shall not apply where the Excusing Cause is Latent Defects.

1.14 Variations

1.14.1 Procedure

Variations to the Project Agreement are dealt with in accordance with the provisions of Schedule 22 (*Variation Procedure*) pursuant to which the Trust is entitled to propose a Trust Works Variation, a Trust Additional Works Variation and/or a Trust Service Variation.

Where the Trust proposes to issue a Trust Works Variation, a Trust Additional Works Variation or a Trust Service Variation, the Trust shall be required to deliver a "Variation Enquiry" to ProjectCo which states:

- (xii) in respect of Trust Works Variations, whether the Trust intends to pay a capital sum in respect of the Variation or whether ProjectCo should seek to obtain additional finance and the nature of the variation and which provisions of the Project Agreement are to be amended;
- (xiii) in respect of Trust Additional Works Variation, whether the Trust intends to pay a capital sum in respect of the Variation or whether ProjectCo should seek to obtain additional finance and the nature and scope of the relevant works item and the times the Trust wishes the works to be completed; and
- (xiv) in respect of Trust Service Variations, the nature of the variation and a marked up version of the Method Statements and/or Service Level Specification.

The Trust may not issue a Variation Enquiry which is not compliant with the above requirements.

If no objection to the Variation Enquiry is raised by ProjectCo (which is only permitted on limited grounds set out in the Project Agreement), ProjectCo is required to respond to the Trust's Variation Enquiry with particulars including how the Variation would be implemented, any cost or delay consequences required to be given effect under the Project Agreement (including adjustments to the Service Payment and/or lump sum payments by the Trust), any consents required and any consequential amendments which may be required to the Project Agreement (including the Payment Mechanism). The principle applicable in each case is, broadly that ProjectCo should be left no better and no worse off by reason of the Variation.

The parties shall seek to agree such matters, failing which they are determined under the Project Agreement's dispute resolution procedure. The agreed or determined position is then recorded in a supplementary agreement which documents and governs the implementation of the Variation.

1.14.2 Funding and Payment for Variations

Where implementation of a Variation requires ProjectCo to incur capital lump sum costs, the Trust may either make lump sum payments of these costs to ProjectCo or require ProjectCo to seek funding for the Variation (upon which ProjectCo must use its reasonable endeavours to find funding). Where ProjectCo obtains such funding, the Trust will pay for the Variation by an adjustment to the Service Payment calculated by reference to the cost of repayment of such funding.

Where ProjectCo is not able to raise funding, the Trust cannot insist on the Variation proceeding unless it agrees to make lump sum payments of the cost.

In general, the calculation of lump sum payments and adjustments to the Service Payment is performed on the basis that ProjectCo is left no better and no worse off by reason of implementing the Variation. There are specific calculations for changes to lifecycle costs and where the adjustment amount would be minor and below a certain threshold.

1.15 Indemnities

1.15.1 ProjectCo General Indemnities

ProjectCo is required to indemnify the Trust in respect of Direct Losses sustained by the Trust as a result of:

- (a) any claim for, or in respect of, the death and/or personal injury of any employee of or person engaged by ProjectCo or any ProjectCo Party (including Retained Staff Members) notwithstanding any act or omission of the Trust or any Trust Party;
- (b) any claim for, or in respect of, insofar as arising out of or in the course of the Project Operations (but save to the extent caused or contributed to by any Unreasonable Act or breach or deliberate act or omission by the Trust or any Trust Party) the death and/or personal injury of any third party;
- (c) any physical loss or damage to Trust Assets arising from any act or omission of ProjectCo or a ProjectCo Party save to the extent that the loss or damage arises out of a breach or deliberate act or omission by the Trust or a Trust Party or in consequence of anything agreed to be a Latent Defect or any deliberate act or omission of the Trust or any Trust Party; and
- (d) any loss or damage to the property or assets of any third party arising from an act or omission of ProjectCo or a ProjectCo Party save to the extent that the loss or damage arises out of a breach or deliberate act or omission by the Trust or a Trust Party; except

that any liability for physical loss of, or damage to or destruction of the Swimming Pool and/or the Social Club is excluded from the indemnity.

1.15.2 Trust General Indemnities

The Trust is required to indemnify ProjectCo in respect of Direct Losses sustained by ProjectCo as a result of:

- (a) any claim for, or in respect of, the death or personal injury of any employee of, or person engaged by, the Trust or any Trust Party notwithstanding any act or omission of ProjectCo or any ProjectCo Party;
- (b) any claim for, or in respect of, the death or personal injury of any third party arising by reason of the act or omission of the Trust or any Trust Party in the course of the provision of the Clinical Services, or any Unreasonable Act, breach or deliberate act or omission of the Trust or any Trust Party save to the extent caused by any act or omission of ProjectCo or a ProjectCo Party; and
- (c) (save in respect of risks against which ProjectCo is required to insure) any physical damage to any part of the Facilities or any loss of or damage to assets or property of ProjectCo, the ProjectCo Parties or third parties arising by reason of a breach or deliberate act or omission of the Trust or any Trust Party (save to the extent caused by any act or omission of ProjectCo or a ProjectCo Party).

The Project Agreement also includes some specific indemnities (e.g. in relation to TUPE and employment matters).

1.15.3 Reasonable Endeavours

The Trust and ProjectCo are required to use all reasonable endeavours to mitigate any losses notwithstanding their entitlement to an indemnity.

1.16 Insurance

1.16.1 ProjectCo Obligations

ProjectCo is required to take out the insurances specified in the Project Agreement in relation to the Facilities covering both the construction and the operational aspects of the Project. The specified policies include contractor's all risk, delay in start up, property damage, business interruption and third party public and products liability insurance.

1.16.2 Application of proceeds

All insurance proceeds from the insurances required under the Project Agreement are to be paid into a joint bank account in the names of the Trust and ProjectCo and are to be applied to meet the purpose for which the claim on the policy was made. In particular, the proceeds of these policies are to be used to settle any liabilities to third parties and for repair and reinstatement of loss or damage to assets, subject to the economic reinstatement test described below.

The Trust, ProjectCo and the Security Trustee, together with the Account Bank with whom the joint bank account is opened, have entered into the Insurance Proceeds Account Agreement to regulate withdrawals from the account in accordance with the Project Agreement.

All insurance proceeds from any other Insurances shall be paid into an insurance proceeds account in the name of ProjectCo alone (the "**ProjectCo Insurance Proceeds Account**"). The Senior Beneficiaries will have security over this account.

1.16.3 Economic Reinstatement Test

This test applies in the event that there is destruction or substantial destruction of the Facilities and if the insurance proceeds, together with other funds available to ProjectCo, are equal to or greater than the cost of reinstatement of the ProjectCo Facilities.

If the then loan life cover ratio described in the Funders' Direct Agreement (assuming reinstatement) is equal to or exceeds the defined default level, ProjectCo must reinstate as required by the Project Agreement unless the Trust serves a viability statement on ProjectCo, which shall automatically terminate the Project Agreement.

If the then loan life cover ratio described in the Funders' Direct Agreement (assuming reinstatement) is below the defined default level, the lesser of the insurance proceeds and an amount equal to the greater of the Senior Debt Amount will be released from the Insurance Proceeds Account to ProjectCo. Under the Funders' Direct Agreement, the Security Trustee has confirmed on behalf of the Senior Funders that it will release those funds to ProjectCo to meet the cost of reinstatement (which ProjectCo will remain obliged to carry out).

1.16.4 Insurance Cost Risk

ProjectCo bears the predominant share of the risk that the cost of placing the insurances required by the Project Agreement may increase over time or that insurances may become unavailable (at all, or at sustainable cost).

Where the cost of placing the insurances required by the Project Agreement is subject to large increases, relative to the levels contemplated at the date of the Project Agreement, the Trust will be liable to contribute a proportion of such increased cost under a simple cost sharing formula so mitigating ProjectCo's exposure.

1.16.5 Uninsurable Risks

ProjectCo will not be held in breach of its insuring obligations under the Project Agreement where, in respect of a risk, either insurance is not available within the worldwide insurance market with reputable insurers of good standing in respect of that risk or the insurance premium payable for insuring such risk is at such a level that the risk is not generally being insured against in the worldwide insurance market with reputable insurers of good standing.

In certain very limited circumstances, the unavailability of insurances required under the Project Agreement will give rise to an "Uninsurable Risk". ProjectCo will not be held in breach of its insuring obligations under the Project Agreement where, in respect of a risk, either insurance is not available within the worldwide insurance market with reputable insurers of good standing in respect of that risk or the insurance premium payable for insuring such risk is at such a level that the risk is not generally being insured against in the worldwide insurance market with reputable insurers of good standing. In addition, if ProjectCo can demonstrate to the Trust that ProjectCo and other prudent contractors in the health sector or in the same or substantially similar businesses would be acting reasonably if they resolve to cease to operate such businesses as a result of that risk becoming uninsured, an Uninsurable Risk will have arisen and the Trust will partially assume some risks which (as at the date of the Project Agreement) are borne by ProjectCo.

On the occurrence of an Uninsurable Risk, the Trust must elect either to pay to ProjectCo (within six months of such occurrence) sums equal to those which would have been paid by insurers under the lapsed policy (subject as noted below) or to terminate the Project Agreement (whereupon compensation is payable on the same basis as where the Project Agreement is terminated for a Force Majeure Event).

In the case of public liability insurances, the Trust may not wait until the occurrence of the risk to elect but rather must make its election (between termination and liability for payment of quasi-insurance) on the date on which the risk becomes an Uninsurable Risk. If the Trust elects to be liable for payment and the Uninsurable Risk occurs, the Trust is obliged to pay to the third party claimant sums equivalent to those which would have been paid by insurers, without the six month delay referred to above.

Upon the occurrence of an Uninsurable Risk which (formerly) was required to be insured under ProjectCo's advance loss of profits insurance or business interruption insurance, the Trust (if it elects to pay rather than terminate) will pay a smaller amount than would have been paid by insurers. The smaller amount is structured by reference to ProjectCo's debt service and other unavoidable costs but does not include any sums in respect of lost revenue which would have been applied to make returns to shareholders or fund reserves within ProjectCo.

1.17 Change in Law

ProjectCo is required to comply with all applicable laws and regulations, including any change in law. ProjectCo can only claim additional costs in relation to unforeseeable changes of law in the circumstances outlined below.

1.17.1 Changes in law requiring works to a completed Phase

Where a change in law requires works to be carried out in respect of a completed Phase (which are not Maintenance Works or works that ProjectCo would otherwise have been required to carry out under the Project Agreement), costs are shared between the Trust and ProjectCo depending on the calculation of the percentage of the expenses incurred by ProjectCo in performing the operations as a consequence of the Change in Law, over an amount of £230,098,000. The higher the percentage, the more is paid by the Trust.

1.17.2 Discriminatory Change in Law and NHS Specific Change in Law

The Trust bears the risk of any NHS Specific Change in Law or Discriminatory Change in Law, save that ProjectCo must, in respect of the Facilities absorb a *de minimis* amount of up to £1,000 per annum (as indexed) arising from such changes of law without compensation from the Trust.

Subject to such *de minimis* amounts, where an NHS Specific Change in Law or Discriminatory Change in Law occurs, ProjectCo will be entitled to receive a Variation providing for financial compensation which leaves ProjectCo no better and no worse off as a result of the Change in Law.

1.17.3 VAT Changes

Where there is a Change in Law in relation to VAT which was not reasonably foreseeable at the date of the Project Agreement resulting in the input tax incurred by ProjectCo and attributable to the supplies made by ProjectCo under the Project Agreement not being fully recoverable by way of output tax, then the Trust will ensure ProjectCo is left in no better or worse position as a result (subject to ProjectCo using all reasonable endeavours to mitigate the adverse effects of any such Change in Law).

1.18 Termination of Services Contractors at the Trust's Request

The Trust has the discretion to require the termination of the provision of any Service pursuant to the Services Contract or procure the termination of any sub-contract in respect of certain services where (i) the relevant Service Provider or relevant sub-contractor has been responsible for an occurrence which would (if the Trust so chooses) entitle it to terminate the Project Agreement as a whole, or (ii) if

ProjectCo receives more than the specified number of Service Failure Points applicable to the Service Provider or relevant sub-contractor within any six consecutive months.

ProjectCo will be obliged to put forward proposals for interim management and will need to engage a replacement sub-contractor or sub-contractors at ProjectCo's cost.

Where a sub-contractor is required to be replaced in these circumstances, ProjectCo bears the risk that the price payable to the replacement sub-contractor is higher than that which was payable to the terminated sub-contractor. ProjectCo may be able to recover some or all of such increased cost by claiming them from the terminated sub-contractor but this is subject to liability caps, financial ability to meet the claim and time required for legal proceedings and enforcement.

1.19 Termination of the Project Agreement

1.19.1 ProjectCo Events of Default

There are a number of specific events which, upon their occurrence, entitle the Trust to terminate the Project Agreement, including:

- (i) insolvency of ProjectCo;
- (ii) a failure by ProjectCo to achieve the Phase 2 Actual Completion Date by the Phase 2 Longstop Date (no longer relevant);
- (iii) a material breach by ProjectCo of its obligations under the Project Agreement which adversely affects the Trust's Clinical Services;
- (iv) ProjectCo wilfully breaching the refinancing provision under the Project Agreement;
- (v) ProjectCo abandoning the Works;
- (vi) ProjectCo ceasing to provide all or a substantial part of the Services to the Trust in accordance with the Project Agreement;
- (vii) ProjectCo committing a material breach of its obligations under the Project Agreement (other than as a consequence of a breach by the Trust of its obligations under the Project Agreement) leading to a Health & Safety Conviction;
- (viii) the occurrence of prohibited changes of control of ProjectCo;
- (ix) ProjectCo failing to comply with the assignment and sub-contracting provisions;
- (x) ProjectCo failing to pay any sum or sums due to the Trust which singly or in the aggregate exceed £250,000 (as indexed) and such failure continues for sixty (60) Business Days from receipt by ProjectCo of a notice of non-payment from the Trust; and
- (xi) the accrual of more than specified levels of Service Failure Points over specific periods.

Where appropriate, the Project Agreement provides the opportunity for ProjectCo to remedy any failures prior to the Trust becoming entitled to terminate the Project Agreement.

1.19.2 Force Majeure Event

If a Force Majeure Event has prevented either party from complying with a material part of its obligations for six months and during that period the parties have failed to reach agreement on how to continue the Project Agreement, either party may at any time afterwards terminate the Project Agreement by written notice to the other party having immediate effect provided that the

effects if the relevant Force Majeure Event continues to prevent either party from performing any material obligation under the Project Agreement.

1.19.3 Corrupt Gifts

A “Prohibited Act” is defined as:

- (i) the offering, giving or agreeing to give to the Trust or any other public body a gift or consideration as an inducement for doing any act or showing favour to any person in relation to the Project Agreement or any other public body or for showing favour of disfavour to any person in relation to the Project Agreement or any other agreement with the Trust or any other public body;
- (ii) entering into the Project Agreement or any other agreement with the Trust or any other public body in connection with which commission has been paid or has been agreed to be paid unless before the relevant agreement is entered into particulars of any such commission and of the terms and conditions of any such agreement for the payment of such commission have been disclosed in writing to the Trust;
- (iii) committing any offence under the Prevention of Corruption Acts 1889-1916, under any law creating offences in respect of fraudulent acts or at common law in respect of fraudulent acts in relation to the Project Agreement or any other agreement with the Trust or any other public body; or
- (iv) defrauding or attempting to defraud the Trust or any other public body.

In the event that ProjectCo, any ProjectCo Party or any of their employees commits a Prohibited Act, then the Trust may be entitled to terminate the Project Agreement. In certain cases, ProjectCo has the ability to prevent termination of the Project Agreement by “curing” the breach. This is achieved by terminating the employment of the relevant employee or terminating the contract of the relevant Services Contractor.

1.19.4 Trust Events of Default

“Trust Events of Default” are:

- (i) non-payment by the Trust of an undisputed amount either singly or in aggregate exceeding the value of one month’s Service Payment and such failure continues for thirty (30) Business Days from receipt by the Trust and the strategic Health Authority of a notice of non-payment from ProjectCo;
- (ii) a material breach by the Trust of its obligations under clause 14 of the Project Agreement and/or the Licence (other than as a consequence of ProjectCo Event of Default under the Project Agreement) that adversely affects ProjectCo’s ability to perform its obligations for a continuous period of no less than 30 Business Days; or
- (iii) an Adverse Law or a Proposal for an Adverse Law being made.

In order to effect a termination following the occurrence of these events, ProjectCo must give a further sixty (60) Business Days’ notice (in the case of (b) and (c)) or thirty (30) Business Days’ notice (in the case of (a)) on the Trust and the Strategic Health Authority.

ProjectCo may not exercise or purport to exercise any right to terminate the Project Agreement (or accept any repudiation of the Project Agreement) except as expressly set out in the Project Agreement.

1.19.5 Voluntary Termination

The Trust may terminate the Project Agreement at any time on four months' written notice.

1.19.6 Expiry

The Project Agreement will terminate automatically on the expiry of the Project Term. ProjectCo shall not be entitled to any compensation for termination of the Project Agreement on expiry of the Project Term.

1.20 Compensation on Termination

1.20.1 Compensation for Termination for a ProjectCo Event of Default

If the Project Agreement is terminated for a ProjectCo Event of Default (other than wilful refinancing breach), the Trust will determine the compensation payable by reference to the value of the Project Agreement, determined either by the Retendering Procedure or (as appropriate) the No Retendering Procedure. The Instalment Option is not available in the case of a ProjectCo Event of Default (other than for Refinancing, see section 1.20.4 (*Compensation in the event of termination for Prohibited Acts or breach of Refinancing provisions*)) or a Trust Event of Default.

(i) Retendering Procedure

The Trust is required to complete the Tender Process as soon as practicable, on the basis of a new project agreement with a Compliant Tenderer for the remaining term of the Project Agreement, but otherwise on the same terms, with the same Service Payment (as indexed) and with a "wipe clean" for Service Failure Points.

During the tender process the Trust will pay ProjectCo Post Termination Service Amounts ("PTSAs") for each month. These will be equivalent to the Maximum Service Payment had the agreement not been terminated, less certain allowable costs including the Trust's costs of procuring provision by others of the Services in the interim.

The compensation payable to ProjectCo following the termination will be the Adjusted Highest Compliant Tender Price ("AHCTP"), being the highest compliant tender price offered as a result of the retendering procedure adjusted upwards or downwards for cash balances held by or on behalf of ProjectCo and certain other items including, but not limited to, insurance proceeds owing to ProjectCo.

If in any month the PTSAs is less than zero, it will be carried forward and set-off against future months' positive PTSAs (if any) or the AHCTP.

The AHCTP is not subject to any prescribed minimum and, depending on bids received from tenderers once the Retendering Procedure has been embarked upon, may be zero or a negative amount. Therefore the termination compensation amount payable by the Trust to ProjectCo may not be sufficient to enable ProjectCo fully to repay the Issuer under the PSLFA nor the Issuer fully to repay Bondholders (and instead of being entitled to receive compensation ProjectCo may be liable to pay sums to the Trust).

ProjectCo, at its own cost, may appoint a Tender Process Monitor to oversee the tender process.

The Trust is only entitled to retender the Project Agreement if:

- (i) the Trust notifies ProjectCo on or before the date falling twenty (20) Business Days after the Termination Date;

- (ii) there is a Liquid Market; and either
 - (iii) Senior Funders have not stepped-in; or
 - (iv) Senior Funders or ProjectCo have not sold the Project and have failed to use reasonable endeavours to do so.
- (ii) No Retendering Procedure

If the Trust does not retender the Project Agreement, the No Retendering Procedure is followed. The Trust shall also follow the No Retendering Procedure if the retendering procedure has been commenced but has not resulted in the payment of compensation to ProjectCo within two years after termination of the Project Agreement.

During this process, the Trust will not pay any PTSAs unless it had previously elected to follow the Retendering Procedure.

The compensation payable to ProjectCo following the termination of the Project Agreement will be the Estimated Fair Value of the Project Agreement.

Under the No Retendering Procedure, the Estimated Fair Value of the Project Agreement is calculated on the basis of:

- (i) the total of all forecast Service Payments (without deductions) from the Termination Date to the Expiry Date of the Project, discounted at the then current cost of capital;
- (ii) the total costs reasonably forecast to be incurred by the Trust as a result of the termination, discounted at the then current cost of capital, including a reasonable risk assessment of cost overruns that will arise, costs of providing the Services reasonably forecast to be incurred by the Trust from Termination Date to the Expiry Date and any rectification costs to be incurred by the Trust required to deliver the Project Operations to the standard required and additional operating costs to restore standards of Service (less any insurance proceeds received and any amounts payable by the Trust in respect of Capital Expenditure which have not been paid).

Under the No Retendering Procedure it is also possible that the compensation payable by the Trust will not be sufficient to reimburse Bondholders fully (and instead of being entitled to receive compensation, ProjectCo may be liable to pay sums to the Trust).

1.20.2 Compensation in the event of termination for Trust Event of Default, Trust Voluntary Termination and No Reinstatement by the Trust

Where the Instalment Option has not been exercised, compensation has been structured so as to require the Trust to pay an amount of compensation sufficient to enable ProjectCo to meet its obligations to the Senior Funders under the Senior Funders Agreements (including the Issuer's liabilities under the Bonds) and in respect of Permitted Borrowings (the "**Base Senior Debt Amount**") and to cover Redundancy Payments. This compensation amount will then be adjusted downwards to account for cash balances held by ProjectCo, ProjectCo's right to insurance proceeds and certain other items. This compensation is payable either as a lump sum within forty (40) Business Days of invoice and supporting evidence, with interest at the No Default Interest Rate from the Termination Date until the date of payment and thereafter with interest at the No Default Interest Date or by way of ongoing payments if the Instalment Option is exercised. In the event of a termination for a Trust Event of Default, the lump sum termination compensation will

include a full spens payment under the Bonds. In the event of a Trust Voluntary Termination, the lump sum termination compensation will include a modified spens payment under the Bonds.

Subject to a limit (the “**Additional Permitted Borrowings Limit**”) ProjectCo should be entitled to raise further borrowing if required without the consent of the Trust (“**Additional Permitted Borrowings**”). The Additional Permitted Borrowings is the amount of principal that exceeds the amount of principal scheduled to be outstanding at any time adjusted for actual indexation, and the Additional Permitted Borrowings Limit is initially 10 per cent. of the Original Senior Commitments at the Issue Date until outstanding principal is 50 per cent. or less of those Original Senior Commitments, when the limit reduces to 5 per cent. of those commitments (or the then outstanding Additional Permitted Borrowings if higher).

Additional borrowing invested in a Qualifying Variation is not treated as Additional Permitted Borrowings.

The amount of any Additional Permitted Borrowings (including interest and default interest) will be deducted from the Base Senior Debt Amount, and therefore not included in the compensation payable. If a Distribution is made whilst there are Additional Permitted Borrowings outstanding, then the Trust may deduct the value of the Distribution from the compensation amount. Also, whilst there are Additional Permitted Borrowings outstanding, Sub-Contract Losses will not be payable where ProjectCo has the right to terminate that Services Agreement. Therefore, the compensation amount may not enable ProjectCo to meet its obligations to the Issuer under the PSLFA should it take out such additional borrowing, such that the Issuer would not be able to meet its obligations under the Bonds in full.

This risk is mitigated by the inclusion, in the compensation amount, and the market value of Junior Debt and equity, in respect of which sums the Bondholders rank in priority to the Services Contractors, Junior Creditors and the Shareholder, and that the compensation sum cannot be below the Revised Senior Debt Termination Amount. The Project Agreement expressly states that where the initial calculation comes to an amount below the Revised Senior Debt Termination Amount, the compensation payment should be increased to the Revised Senior Debt Termination Amount. The Revised Senior Debt Termination Amount is an amount sufficient to enable ProjectCo to meet its obligations to the Senior Funders under the Senior Funders Agreements and in respect of Permitted Borrowings, such amounts to include interest and Default Interest and amounts of Additional Permitted Borrowings, however Default Interest on Additional Permitted Borrowing which is outstanding at the Termination Date is excluded. The Trust is entitled to exercise set-off against all of those components of the compensation amount; as a result, those components subject to set-off will not necessarily be available to the Bondholders. The risk of a distribution reducing the amount payable is further mitigated by the inclusion of a distributions lock-up event in the Collateral Deed, applicable whilst Additional Permitted Borrowings are outstanding.

While the Financial Guarantors are the Controlling Creditor, neither the Bond Trustee nor the Bondholders will have the right to control the making of additional borrowing by the Issuer and/or ProjectCo.

The Trust may elect to exercise the Instalment Option (within forty (40) Business Days from Termination Date) in a Trust Voluntary Termination scenario or where it has elected not to reinstate the Project, following receipt of insurance proceeds. The Instalment Option is not available in the case of Trust Event of Default.

1.20.3 Compensation in the event of termination for a Force Majeure Event, Uninsurable Risks and Latent Defects

Where the Instalment Option has not been exercised, compensation has been structured so as to require the Trust to pay an amount of compensation equal to the aggregate of the Base Senior Debt Amount, Redundancy Payments, Sub-Contractor Losses, Junior Debt (less the aggregate of interest payments paid on Junior Debt) and an amount equal to the amounts paid to ProjectCo by way of subscription for shares in ProjectCo (less dividends and other distributions paid by ProjectCo). This compensation amount will then be adjusted downwards to account for cash balances held by ProjectCo, ProjectCo's right to insurance proceeds and certain other items.

The compensation sum is payable either as a lump sum within forty (40) Business Days of invoice and supporting evidence, with interest at the No Default Interest Rate from Termination Date until the date of payment and thereafter with interest at the No Default Interest Rate, or (at the option of the Trust) by way of the Instalment Option. See the section entitled "*Instalment Option*" below.

The provisions on Additional Permitted Borrowings follow that under section 1.20.2 (*Compensation in the event of termination for Trust Event of Default, Trust Voluntary Termination and No Reinstatement by the Trust*) above.

Similar considerations apply here as to those set out under the section 1.20.2 (*Compensation in the event of termination for Trust Event of Default, Trust Voluntary Termination and No Reinstatement by the Trust*) above in relation to the possible impact of additional borrowings on the ability of ProjectCo to meet its obligations to both the lender of the additional borrowing and to the Issuer under the PSLFA, and the ability of the Issuer to meet its obligations under the Bonds in full. The amounts of compensation paid in respect of Junior Debt and equity (and available to holders of the Bonds) will, however, be lower than in the case of Trust Event of Default/Trust Voluntary Termination.

The Trust may elect to exercise the Instalment Option (within forty (40) Business Days from Termination Date) in the event of termination for a Force Majeure Event, Uninsurable Risk and Latent Defects.

1.20.4 Compensation in the event of termination for Prohibited Acts or breach of Refinancing provisions

Where the Instalment Option has not been exercised or is not available in case of a ProjectCo Event of Default or a Trust Event of Default, compensation has been structured so as to require the Trust to pay an amount of compensation equal to the Revised Senior Debt Termination Amount less cash balances held by ProjectCo, ProjectCo's right to insurance proceeds and certain other items. The Revised Senior Debt Termination Amount is an amount sufficient to enable ProjectCo to meet its obligations to the Senior Funders under the Senior Funders Agreements and in respect of Permitted Borrowings, such amounts to include interest and Default Interest and amounts of Additional Permitted Borrowings, however Default Interest on Additional Permitted Borrowing which is outstanding at the Termination Date is excluded.

The Trust may elect to exercise the Instalment Option (within forty (40) Business Days from Termination Date) in event of termination for Prohibited Acts and Refinancing. See the section entitled "*Risk Factors – Risks relating to the Bonds and the Market - Potential Termination of Bond Financial Guarantees and Loan Financial Guarantees without Bondholder Consent*".

1.20.5 UK Tax Gross-Up

This is payable by the Trust in case of compensation payments for Trust Event of Default, Trust Voluntary Termination, a Force Majeure Event and Prohibited Acts. There is no provision for tax gross-up for compensation for ProjectCo Event of Default.

1.20.6 Set-off Against Termination Compensation

The Trust is not entitled to exercise any right of set-off against termination compensation payable following termination for Trust Event of Default, Voluntary Termination, a Force Majeure Event or Prohibited Acts, to the extent such set-off would reduce the amount of the compensation below whichever of the Revised Senior Debt Termination Amount and the Base Senior Debt Amount applies in calculating termination compensation. There is no restriction on the Trust's rights of set-off against termination compensation payable following termination for a ProjectCo Event of Default. The right to set-off is also not applicable once the Trust has elected to exercise the Instalment Option.

1.20.7 Netting off of amounts against the Termination Compensation

All amounts standing to the credit of ProjectCo's bank accounts and the value of the other assets of ProjectCo will be netted off against whichever of the Revised Senior Debt Termination Amount and the Base Senior Debt Amount applies in calculating termination compensation, before the relevant termination compensation payable by the Trust is calculated.

1.20.8 Instalment Option

The Project Agreement permits the Trust to exercise an option (within forty (40) Business Days from Termination Date) to pay the amounts set out in the repayment schedule to the PSLFA for payment of the scheduled principal and interest of the loan under the PSLFA (the "**Senior Debt Ongoing Amounts**") instead of paying the Base Senior Debt Amount or Revised Senior Debt Termination Amount as a lump sum in all termination scenarios, save in the case of a ProjectCo Event of Default (other than for Refinancing) or a Trust Event of Default (the "**Instalment Option**"). Any other termination sum due and payable must be paid by the Trust to ProjectCo at the outset, rather than as part of the instalment payments. If the Trust elects to exercise the Instalment Option, it is required to pay the Senior Debt Ongoing Amounts directly to a bank account of the Issuer as specified in the Project Agreement on the dates that ProjectCo would have been required to make repayments under the repayment schedule under the PSLFA. The Trust retains the option (on 28 days' prior written notice to ProjectCo) to pay out the Base Senior Debt Amount or Revised Senior Debt Termination Amount in full on any instalment payment date after having elected to exercise the Instalment Option. A payment default by the Trust in respect of the instalment payments or an assignment or otherwise disposal of the Project Agreement by the Trust in breach of the Project Agreement will result in the unpaid and outstanding element of the Base Senior Debt Amount or the Revised Senior Debt Termination Amount becoming immediately due and payable on receipt of notice from ProjectCo.

The downward adjustments to compensation termination that would be applicable in case of a lump sum payment for cash balances held by ProjectCo, insurance proceeds payable to ProjectCo and certain other items will be swept into a deductions account held by the Trust upon the election of the Instalment Option. The Trust shall also retain control of ProjectCo pursuant to the terms of the Security Trust and Intercreditor Deed but subject to the Senior Creditors security.

The Trust is also liable for keeping ProjectCo and ProjectHoldCo whole against reasonable costs properly incurred by each.

However, if the Trust exercises the Instalment Option, the Bond Financial Guarantees and the Loan Financial Guarantees will terminate unless AGUK and AGM provide notice that it will not do so. If the Bond Financial Guarantees and the Loan Financial Guarantees are terminated, the Bondholders will only be able to rely on payments made by the Trust to the Issuer in respect of Senior Debt Ongoing Amounts (which it is obliged to do irrespective of the termination of the Bond Financial Guarantees and the Loan Financial Guarantees).

1.21 Change of Control

1.22 The Project Agreement imposed restrictions on Changes of Control of ProjectCo during the construction phase of the Project, but these restrictions have now generally fallen away. However, the Trust's approval is still required for a Change of Control where the acquirer is a Restricted Person.**Handback**

Twelve months before expiry of the Project Term, the Trust and ProjectCo will conduct a joint survey to identify if the Facilities meet specific defined conditions referred to as "Handback Requirements". If the survey identifies that these have not been met, ProjectCo is required to submit to and agree a programme of works required and a cost estimate with the Trust. Within fifteen (15) Business Days of agreement or determination of the programme of works and cost estimate, ProjectCo is required to procure a Handback Bond for that cost estimate amount and undertakes that the Handback Requirements will be met by the expiry date. Another joint survey of the Facilities will be conducted thirty (30) Business Days before the expiry date. Following the expiry date, the Trust will either issue a Handback Certificate and return the Handback Bond to ProjectCo or inform ProjectCo of the reasons why it is not issuing these items. Any disagreements are to be referred to the Dispute Resolution Procedure.

1.23 Employment

The Parties agree that the Transfer of Undertakings (Protection of Employment) Regulations 1981 ("TUPE") will apply to ProjectCo where there is a transfer of ProjectCo's responsibility for providing the Services in accordance with the terms of the Project Agreement.

2 Payment Mechanism

2.1 General

The payment mechanism and associated provisions of the Project Agreement (the "**Payment Mechanism**") provide for monitoring and measurement of the performance of the Services against the standards required by the Project Agreement.

Failures in performance of the Services will result in deductions from the Service Payment, including where areas of the Facilities are Unavailable for use by the Trust.

2.2 Service Performance Failures

The quality of performance of the Services is subject to monitoring and measurement using standards and monitoring methods and frequencies prescribed by the Project Agreement. If a Service has not been measured as achieving full compliance with the Service Level Specifications in the Project Agreement (subject to certain tolerances) then it may become a Failure Event or Quality Failure and then the Trust may award Service Failure Points. The number of Service Failure Points awarded in respect of each Failure Event shall be calculated by multiplying the number of Service Failure Points attributable to the relevant category by the number of affected sessions of operating time. The number of Service Failure Points awarded in respect of each Quality Failure shall be calculated by multiplying the number of Service Failure Points attributable to the relevant category as set out in the agreement. The number of Service Failure Points for a particular Event affecting more than one Functional Part shall be subject to a cap as set out in the Project Agreement (based on the number of occurrences of such incidents). If a

General Quality Failure is applicable across two or more different Services, then a single deduction shall only be applied, calculated by reference to the average weighting of the affected Service. Service Failure Points shall not be awarded to the extent that any Service Failures are attributable to the occurrence of a Relief Event or a Force Majeure Event.

2.3 Unavailability

2.3.1 General

ProjectCo is required to ensure (independently of performance of the Services and not necessarily “breach/fault based”) that the Facilities are available for use by the Trust and that no breach by it of its obligations under the Project Agreement cause any part of the Facilities to be Unavailable. Should any part become Unavailable, this is a type of Failure Event.

2.3.2 Functional Parts and Functional Units

The Facilities are divided into Functional Parts (usually departmental based) with each Functional Parts being sub-divided into Functional Units (such as individual rooms or wards).

In order to be available, a Functional Unit must meet the Availability Conditions stipulated by the Project Agreement, which are, in summary, that it is:

- (i) in a state or condition, or the means of access to it which allows all persons entitled to use the Functional Part to enter and leave the Functional Part in a way which is reasonable having regard to its clinical use or purpose, or its other use or purpose;
- (ii) in a state or condition which allows those persons entitled to enter, leave, occupy and use the Functional Part without a higher risk to their health and safety and welfare than should be expected for premises of the type of the relevant Functional Part, and which might arise due to any failure to comply with any Law or NHS Requirement relating to fire safety or health and safety at work;
- (iii) is in a state or condition which satisfies the Use Parameters (being the functional requirements for the proper use and enjoyment of the Functional Part for its particular purpose);
- (iv) in a state or condition which allows the clinical use or purpose of the relevant Functional Part to be carried out in accordance with any Law for such function; and
- (v) in a state or condition which allows the use or purpose of the relevant Functional Part (other than a clinical use or purpose) to be carried on and performed having regard to the practicalities or carrying on and performing such activities.

A failure to maintain one of more of the Availability Conditions for a Functional Part shall be classified as a “Category D Failure Event” or a “Category E Failure Event” pursuant to Schedule 18 of the Project Agreement.

2.3.3 Period of Unavailability

Unavailability commences at the time the relevant event was reported to the Helpdesk and ends on the service of Rectification Confirmation Notice.

A Failure Event (leading to Unavailability) will not occur if ProjectCo responds to the event within the specified Response Time (as set out in the relevant Service Level Specifications in respect of each Functional Part).

If ProjectCo is unable to rectify a Failure Event within the specified Rectification Time due to the need for specialist materials or personnel that are not available at the Facility, but a Temporary Repair can be effected the Trust may (in its discretion) permit the Temporary Repair, agree the time by which the Permanent Repair must be made and agree any reduction to the requirement in respect of the Use Condition which may subsist following the Temporary Repair. No Failure Event will occur if the Temporary Repair (where agreed) is effected within the Rectification Time and the Permanent Repair is effected within the time period agreed with the Trust.

Where a Rectification has been completed, a “Category A Failure Event” will occur on the third such event arising on that Contract Day and/or the fourth such event which occurs in any consecutive seven day period, provided that each such event is in connection with the same Service Level Specification and in respect of the same Functional Area.

2.3.4 Category D Failure Event/Category E Failure Event

Where the Failure Event is a “Category D Failure Event” or a “Category E Failure Event” until that Failure Event has been rectified, that Failure Event will be the only deduction available to be made in respect to any affected Functional Unit and (if a Key Unit), the Functional Area and there will be no further deductions for subsequent Failure Events which may occur. But for a Category D Failure, the Trust will be entitled to make further Failure Events for subsequent or subsisting Failure Events not directly linked to the pre-existing Failure Event, provided that the maximum Failure Event Deductions available to be made for any Functional Part will be equivalent to the Failure Event Deduction which would be made if a Category E Failure Event had occurred in that Functional Part.

ProjectCo may offer the Trust Temporary Alternative Accommodation which must comply with the conditions in the Payment Mechanism (including to comply with the Availability Conditions, be reasonably suitable for the purposes for which the Trust used or intended to use the Functional Part which is or has become Unavailable). Where the Trust accepts ProjectCo’s offer of Temporary Alternative Accommodation, no further Failure Event Deductions will be made in respect of the Functional Part vacated by the Trust (whilst the Trust uses that Temporary Alternative Accommodation. The Trust will be entitled to award Service Failure Points and make Failure Event Deductions in respect of any Failure Event which occurs in the Temporary Alternative Accommodation.

2.3.5 Weighting

Each Functional Unit carries a weighting reflecting its relative significance to the Trust’s activities and the greater the weighting the greater the deduction for unavailability.

2.4 Cap on Deductions

The maximum amount of deductions under the Payment Mechanism in any one month may not exceed 100 per cent. of the Service Payment (as calculated without the passthrough costs) for that month. Therefore, ProjectCo may pursuant to the Payment Mechanism lose the full value of the Service Payment in a given month but will not become liable to pay sums to the Trust. The value of any deductions above 100 per cent. of the Service Payment in a given month are written off and not carried forward.

However, ProjectCo is subject to other potential liabilities under the Project Agreement which, if they arise, could (when set-off against the Service Payment, if any, due in a given month) result in ProjectCo being obliged to pay sums to the Trust. An example is costs incurred by the Trust in stepping-in to all or part of the Services. Such costs may be set-off against the Service Payment and may result in a negative balance overall in a given month.

2.5 Reporting Failure Deductions

Failure by ProjectCo accurately to report on the performance of the Services for the relevant month in the Performance Monitoring Report, in accordance with the Project Agreement, gives rise to an entitlement of the Trust to make additional deductions (as a “**Low Priority Quality Failure**”). If the failure by ProjectCo is as a consequence of fraudulent action or inaction, deliberate misrepresentation or gross misconduct by ProjectCo or a ProjectCo Party, there will be deemed to be a “**High Priority Quality Failure**”. Service Failure Points will accrue for Low Priority Quality Failures and High Priority Quality Failures as set out in the Payment Mechanism.

2.6 Exclusive Remedies

The Project Agreement provides that the Payment Mechanism will be the Trust’s exclusive remedy for events which are measured and made the subject of deductions under it but without prejudice to any other remedies of the Trust under express provisions of the Project Agreement.

This serves generally to limit and quantify ProjectCo’s liability for most failures in performance of the Services or unavailability incidents.

However as noted above there are other provisions of the Project Agreement (such as those governing Trust step-in) under which different liabilities (in addition to deductions under the Payment Mechanism) can arise.

3 Services Contract

3.1 General

The Service Provider is solely responsible for procuring that the Services Operations are at all times performed. This includes, but it is not limited to, the Patient Catering Service, the Domestic Service, the Linen Service, the Portering Service, the Security Service and the Telecommunication Service. In relation to the Services Operations which it is required to perform, the Service Provider undertakes substantially all of the risks and obligations borne by ProjectCo under the Project Agreement.

3.2 Payment

ProjectCo pays the Service Provider monthly, within 20 Business Days after receiving a VAT invoice and Performance Monitoring Report from the Service Provider (which is required to be provided to ProjectCo within five Business Days following the first day of the Contract Month).

3.3 Maximum Liability

The liabilities of the Service Provider arising under the Services Contract are, with certain restricted exclusions (such exclusions including, but not limited to, claims relating to death and personal injury and liability arising from fraud), limited to the Service Provider’s Liability Cap (which shall be an amount equal to the sum of (i) 12 months’ gross Service Provider Payments, assuming that at the date on which the liability accrues one month’s Service Provider Payment is the sum payable to the Service Provider in that month assuming no Deductions have been made; (ii) Projected Third Party Income (as indexed) for that year; and (iii) Guaranteed Rental Income (as indexed) for that year the Service Provider’s Termination Cap).

In the event of termination of the Services Contract, the Service Provider’s liability shall be limited to the Service Provider’s Termination Cap (which shall be an amount equal to the sum of: (i) 12 months’ gross Service Provider Payments, assuming that at the date on which the liability accrues one month’s Service Provider Payment is the sum payable to the Service Provider in that month assuming no Deductions have been made; (ii) Projected Third Party Income (as indexed) for that year; (iii)

Guaranteed Rental Income (as indexed) for that year; and (iv) the unexpended balance of the Service Provider's Liability Cap as at the Termination Date).

3.4 Termination

ProjectCo may terminate the Services Contract on similar terms to those set out in the Project Agreement, except that many of the events will be triggered before they could lead to a default under the Project Agreement (thus providing ProjectCo with an opportunity to engage a replacement Services Contractor and restore standards of performance under the Project Agreement). In addition, the Services Contract may be terminated where the Service Provider Performance Guarantee provided by the Service Provider Guarantor, is unenforceable.

3.5 Supporting Documents

As at the date of this Prospectus, the Service Provider Guarantor guarantees the due and punctual performance and observance of the Service Provider's obligations under the Services Contract and the Service Provider's Direct Agreement, subject to the Service Provider Guarantor's liability being limited to the liability of the Service Provider under the Services Contract and/or the Service Provider's Direct Agreement.

The Service Provider has entered into a Collateral Agreement with each of ProjectCo, the Service Provider Guarantor and the Trust, and a Service Provider's Direct Agreement with the Security Trustee, the Service Provider Guarantor and ProjectCo.

4 Management Services Contract

4.1 General

The Management Services Contract between ProjectHoldCo, ProjectCo, Pario Limited (the "**Management Service Provider**") was entered into on 19 March 2021 and continues until 31 July 2024, subject to any earlier termination or extension. ProjectHoldCo and ProjectCo have the option to extend the term for a further period of two (2) years. The Management Services Contract was amended by a variation letter dated 19 March 2021 by which the parties agreed to, among others, increase the agreed fees figure.

The Management Service Provider is responsible for providing certain management services (the "**MSC Services**") to ProjectCo and ProjectHoldCo to enable them to comply with their obligations under the Project Agreement and Project Documents. This includes appointing a key account manager to drive leadership and strategy in respect to the management of all aspects of ProjectCo and ProjectHoldCo, managing, monitoring and coordinating the performance of sub-contractors, secretarial services, financial reporting to the requirements of shareholders and directors of ProjectCo, managing ProjectCo's obligations in relation to lifecycle programmes and works, managing all aspects of ProjectCo's insurance obligations and providing advice on various areas relating to the Project and Project Documents.

The Management Service Provider is required to appoint key personnel to perform the MSC Services, and ensure that they are appropriately qualified, trained, competent and experienced to carry out their respective responsibilities.

4.2 Payment

ProjectCo/ProjectHoldco is required to pay the Management Service Provider fees on a monthly basis in arrears in respect of the MSC Services rendered during each month and the fees are paid to the Management Service Provider by ProjectCo/ProjectHoldCo within thirty (30) days of the delivery of a valid VAT invoice.

4.3 Maximum Liability

Save in respect of those liabilities that cannot be limited by law, payments to employees covered by the Management Service Provider's employer's liability insurance, for death or personal injury, satisfied by or recoverable under any insurances held by the Management Service Provider, arising out of wilful misrepresentation or arising out of carrying out of acts in relation to corruption, the liability of the Management Service Provider is, in any fiscal year, limited to the fees paid or to be paid by ProjectCo/ProjectHoldCo during that fiscal year.

4.4 Termination

ProjectCo or ProjectHoldCo may terminate the Management Services Contract at any time upon giving not less than six (6) months' notice in writing, or, provided the following actions are reasonable in the circumstances, where the Management Service Provider has committed a material breach of its obligations under the Management Services Contract and such breach has not been rectified (i) within such period required to prevent ProjectCo or ProjectHoldCo breaching any of the Project Agreement or the Project Documents, (ii) within ten (10) Business Days after receipt by the Management Service Provider of a written notice requesting the Management Service Provider remedy such a breach, (iii) where the Management Service Provider has failed to make payment to ProjectCo or ProjectHoldCo of amounts due and payable under the Management Services Contract, within thirty (30) Business Days of receipt by the Management Service Provider of notification of non-payment, or (iv) within such alternative period as may be agreed or as may be determined in accordance with the dispute procedure in the Management Services Contract. For the purposes of this paragraph, a material breach is where (i) the Management Service Provider ceases to provide the MSC Services to a material extent for a period in excess of five (5) Business Days, or any cumulative period in excess of ten (10) Business Days in any period of twelve (12) months, or (ii) the Management Service Provider persistently fails to provide the MSC Services to the standards required pursuant to the Management Services Contract.

ProjectCo or ProjectHoldCo may also terminate the Management Services Contract (i) upon giving not less than fifteen (15) days' notice to the Management Service Provider in the event that security is enforced over either of ProjectCo or ProjectHoldCo or their shares, (ii) upon giving not less than thirty (30) days' notice to the Management Service Provider in the event that step in rights pursuant to the Funders Direct Agreement are exercised, (iii) upon giving not less than thirty (30) days' notice to the Management Service Provider in the event that it has not maintained valid professional indemnity or public liability insurances as required under the Management Services Contract (but not where such insurance is not generally available in the UK market), and such breach has not been remedied within fourteen (14) days after receipt of a written notice requesting the remedy, (iv) immediately in the event that the Management Service Provider, its appointed key personnel, agents or sub-contractors commit any Prohibited Act, or (v) upon giving not less than twenty (20) Business Days' notice to the Management Service Provider where ProjectCo or ProjectHoldCo feel unable to consent to the proposed replacement or key personnel under the Management Services Contract.

Any party may terminate the Management Services Contract with immediate effect by giving written notice of termination to the other parties upon; (i) any other party passing a resolution for its winding-up or a court of competent jurisdiction makes an order for its winding-up or dissolution, (ii) the making of an administration order or the appointment or a receiver over or the taking possession or sale by an encumbrance of any other party's assets, (iii) the making by any other party of any arrangement or composition with its creditors, (iv) any pertinent licence to conduct business being suspended, removed or impaired by any order or decree of any regulatory or judicial authority, (v) the Project Agreement is terminated for whatever reason, or (vi) a Force Majeure Event continuing such that any party is unable

to comply with its obligations under the Management Services Contract for a period of sixty (60) Business Days.

5 Insurance Arrangements

5.1 Summary of Insurance

ProjectCo takes the risks associated with insurance in relation to the Facilities.

Policies will name the respective interested parties as insured parties. The principal areas of physical assets, contents, buildings, and materials to be used in the contract works, vehicles, business interruption and legal liabilities throughout the concession have been addressed. Values at risk, limits of indemnity and deductibles will be covered at levels required in the Project Documents and Senior Finance Documents.

5.2 Risk Areas

Risk areas covered include:

5.2.1 Contractors All Risks Insurance – Construction Phase

Contractors “All Risks” insurance was effected during the construction phase for all materials, permanent and temporary works, equipment and other property used or for use in conjunction with the Works.

5.2.2 Third Party Public and Products Liability – Construction Phase

Cover for ProjectCo’s legal liability for third party death or personal injury and loss or damage to property subject to limits of indemnity.

5.2.3 Delay – Construction Phase

Cover was effected during the construction phase for loss of Gross Revenue as a consequence of insured damage which delays the scheduled building programme.

5.2.4 Third Party Public and Products Liability – Operational Phase

Cover for ProjectCo’s legal liability for third party death, injury, disease or mental anguish and property damage is effected subject to limits of indemnity.

5.2.5 Property Damage – Operational Phase

Property damage insurance is effected by ProjectCo for all property which is the property of ProjectCo or for which ProjectCo may be responsible (including, but not limited to the New Facilities). ProjectCo and the Services Contractors are included as insured parties.

5.2.6 Business Interruption – Operational Phase

Cover for loss of gross revenue as a consequence of interruption or interference in the operation as a result of insured damage.

6 Deed of Safeguard

The Health and Social Care (Community Health and Standards) Act 2003 (the “HSCA”) came into force on 20 November 2003. The HSCA makes provision for an NHS trust, such as the Trust, to become a Foundation Trust through an authorisation process. Foundation Trusts remain within the NHS but are subject to reduced levels of central NHS control and exist in their own right as a new legal entity known as a Public Benefit Corporation.

One of the effects of the HSCA is that certain statutory protections for the creditors of NHS trusts would cease to apply to an NHS trust which was authorised as a Foundation Trust, although the NHS trust as a body corporate would continue in existence and there would be continuity of its property and liabilities.

The Deed of Safeguard is, effectively a guarantee, and is between the Secretary of State for Health and Social Care, ProjectCo, the Trust and the Security Trustee. It provides, *inter alia*, that where there has been a change in law or an administrative act which removes or has a material adverse effect on the Trust's legal capacity (or obligation) to perform its material obligations or which disapplies certain legislation which protects creditors of NHS trusts, the Secretary of State for Health and Social Care will fully perform the payment obligations of the Trust (including payment of compensation) under the Project Agreement, the Trust Direct Agreement and certain other documents with effect from notice of the occurrence of an event of a Trust Event of Default or from the occurrence of a Trust insolvency. The Secretary of State for Health and Social Care's liability under the Deed of Safeguard continues until either the adverse consequences of the change in law are removed or ProjectCo agrees arrangements for a novation of the Trust's obligations to the Secretary of State of Health and Social Care or another NHS body, creditors of which continue to benefit from the statutory protections.

THE HEALTH SECTOR

1 Introduction

The National Health Service (“NHS”) came into being upon the enactment of the National Health Service Act 1946 (the “**1946 Act**”). This was largely based on a White Paper of February 1943, which accepted the proposals of the Beveridge Report published in 1942 (the “**Beveridge Report**”). The key thrust of the Beveridge Report was to establish comprehensive health and rehabilitation services available to the public regardless of personal means. This principle was embodied in section 1 of the 1946 Act. The NHS has been funded in the main from general taxation with a very small proportion of its revenue being derived from fees for services provided.

A number of amending Acts since the 1946 Act culminated in the National Health Service Act 1977 (the “**1977 Act**”), which sought to consolidate the previous amendments. However, these amendments were largely unconcerned with the organisational structure of the NHS and focused more upon the technical provision of services. Nevertheless, the 1977 Act established the Health Authorities under section 8 of the 1977 Act (which became the Strategic Health Authorities, which have since been taken over by other organisations (see paragraph 5 below)).

Some 30 years after the initial consolidation measure, it became clear that further consolidation was required to rationalise the numerous Acts of Parliament that supplemented or amended the 1977 Act in a piecemeal fashion. The National Health Service Act 2006 (the “**2006 Act**”) sought to re-order statutory provisions in a logical manner, repeal obsolete provisions and remove inconsistencies between existing measures and also sought to make the law clearer while making no substantive changes to the legal regime itself. The 2006 Act also sought to clarify the differences in health law between England and Wales, with Welsh matters being covered by the National Health Service (Wales) Act 2006. These changes came into force on 1 March 2007.

2 Background: The Evolution of the NHS

The NHS has undergone a considerable number of reorganisations since the 1946 Act. Some of the most far reaching changes were those brought about by the National Health Service and Community Care Act 1990 (the “**1990 Act**”) augmented by the Health Authorities Act 1995 (the “**1995 Act**”), the 2006 Act and most recently the Health and Social Care Act 2012 (the “**2012 Act**”) (see paragraph 6 below).

The Griffith’s Report and the subsequent publication of a White Paper in 1989 entitled “*Working for Patients*”, envisaged an “Internal Market” within the NHS, whereby the purchase and provision of healthcare services were to be separated. The 1990 Act came into force on 29 June 1990 and implemented a number of organisational changes. The 1990 Act empowered Health Authorities to enter into NHS Contracts, with the definition of NHS Contracts now being found in section 9 of the 2006 Act (as amended by the 2012 Act). This defines such contracts as arrangements whereby Health Authorities purchase healthcare services from other bodies (listed in section 9(4) of the 2006 Act) in order to offer such services to residents within their jurisdictions. Such services are offered via healthcare providers thereby fulfilling the Health Authority’s primary function.

3 NHS Trusts

NHS trusts were created under section 5 of the 1990 Act (now re-enacted as section 25 of the 2006 Act, as amended by the 2012 Act). NHS trusts are found in most large towns and cities, and provide the hospital, mental health and community care services purchased on behalf of patients formerly by Strategic Health Authorities and now by Clinical Commissioning Groups (“**CCGs**”) (discussed further below). Some NHS trusts also act as centres of expertise for specialised care, or are linked to universities and help to train health care professionals.

NHS trusts are established by the Secretary of State for Health and Social Care and are accountable to him through the NHS England. Each NHS trust is placed under a general requirement to “exercise its functions effectively, efficiently and economically” by section 26 of the 2006 Act (as amended by the 2012 Act).

Subject to the provisions of Schedule 5 to the 2006 Act, an NHS trust has general powers under paragraph 14 of Schedule 4 to the 2006 Act to do anything which appears to it to be necessary or expedient for the purpose of or in connection with discharge of its functions, including in particular power to:

- (i) acquire and dispose of land and other property;
- (ii) enter into such contracts as seems to the NHS Trust to be appropriate; and
- (iii) accept gifts of money, land or other property.

An NHS trust has specific powers under Schedule 4 Part II of the 2006 Act to:

- (i) enter into NHS contracts as the provider of health services;
- (ii) undertake and commission research and make available staff and provide facilities for research by other persons;
- (iii) provide training for persons employed or likely to be employed by the NHS Trust or otherwise in the provision of services under the 2006 Act; and
- (iv) make facilities and staff available in connection with training by a university or any other body providing training in connection with the NHS.

4 The Reforms of 1999

The Health Act 1999 (the “**1999 Act**”), which was enacted on 30 June 1999, provided for greater cooperation between the NHS and local authorities, with the relevant framework now contained in section 75 of the 2006 Act. This mainly involved both the NHS and local authorities evaluating their relative contributions towards financial and logistical support for health services. The 1999 Act abolished fundholding schemes and de-emphasised the competitive nature of the Internal Market by providing that all NHS bodies have a duty to cooperate with one another.

Section 2(1) of the 1999 Act empowered the Secretary of State for Health and Social Care to create Primary Care Trusts (“**PCTs**”) at his discretion, to provide general medical services. This discretion became a duty under section 18 of the 2006 Act which has since been repealed. The 1999 Act also consolidated systems for self-regulation of healthcare and associated individuals, such as nurses, pharmacists, dentists and opticians, while empowering the Secretary of State for Health and Social Care to modify the regulations of any healthcare profession in order to improve the service which the profession provides.

The 1999 Act also introduced new legal duties of quality of care and partnership to make sure the component parts of the NHS work together to drive up healthcare standards for patients. Further features of the 1999 Act included:

- (i) new powers to break down barriers, not just between health and social services, but between the NHS and wider local government, through greater flexibility over the transfer of funds and over operational arrangements such as pooled budgets, where this will best improve health. These powers are now found in sections 72 and 75 of the 2006 Act;
- (ii) the creation of the Commission for Health Improvement (which has now been replaced by the Healthcare Commission); and

- (iii) new measures to ensure compliance with aspects of a new agreement with the pharmaceutical industry over prices for drugs charged to the NHS which would be the result of full discussion with the industry. (This is known as the “**Statutory Scheme**”, and the rules for this are found in sections 263 and 264 of the 2006 Act (now largely repealed)).

5 2002 to 2009 Reforms

Further reform of the NHS was provided for in the National Health Service Reform and Health Care Professions Act 2002 (the “**2002 Act**”). Section 1 of the 2002 Act effected the renaming of Health Authorities as Strategic Health Authorities from 1 October 2002, and regulations were passed to amend any references to a Health Authority in both primary and secondary legislation to either Strategic Health Authorities or PCTs) but the concept of Health Authority remains for Wales. Funding from the Secretary of State for Health and Social Care was given directly to both the Strategic Health Authorities and the PCTs, which remained the case by virtue of sections 224 and 228 of the 2006 Act which has now been repealed. Strategic Health Authorities and PCTs were abolished on 31 March 2013.

The responsibilities of the Strategic Health Authorities included:

- (i) delivering strategies for local health services and ensuring high quality performance;
- (ii) managing the NHS locally, providing a link between the Department of Health and the NHS;
- (iii) ensuring that national priorities are integrated into local plans; and
- (iv) initiating improvements to strengthen the existing systems of professional self-regulation to ensure that they are more open, responsive and publicly accountable, together with the Council for Regulation of Healthcare Professionals (now known as the Council for Healthcare Regulatory Excellence) under section 25 of the 2002 Act.

The 2002 Act also imposed a duty upon the Secretary of State for Health and Social Care to establish PCTs covering the whole of England, which continues under section 18(3) of the 2006 Act. Responsibilities of the PCTs included:

- (i) planning for and securing health services, and improving the health of the local population;
- (ii) ensuring the provision of primary health services, such as GPs, dentists and pharmacies; and
- (iii) directing funding to plan and commission health services for local communities.

The Health and Social Care (Community Health and Standards) Act 2003 (the “**2003 Act**”) established an independent Commission for Healthcare Audit & Inspection, also known as the “Healthcare Commission”.

The Healthcare Commission was created in April 2004 and brought together the health value for money work of the Audit Commission, the work of the Commission for Health Improvement and the private healthcare role of the National Care Standards Commission. The Healthcare Commission was responsible for inspecting both the public and private healthcare sectors and has a key role in explaining to the public how NHS resources have been deployed and the impact they have had in improving services, raising standards and improving the health of the nation. Officers of the Healthcare Commission acted as inspectors to the private and voluntary healthcare sector and the NHS and the Healthcare Commission is also the resolver of complaints relating to the NHS.

Although the Healthcare Commission had powers to bring actions for the closure of privately run establishments, through the revocation of their registration, these powers did not extend to the public sector. The Healthcare Commission’s powers in relation to NHS hospitals were restricted to public criticism of

individual establishments in inspection reports and in their annual report to parliament (which are available on their website) together with the awarding and possibly the downgrading of star ratings.

The Healthcare Commission was able to make recommendations for improvement but has no powers, as such, to enforce these improvements. However, it was able to make recommendations to the Secretary of State for Health and Social Care if it believed there were significant failings in relation to the provision of healthcare by an NHS body, and the Secretary of State for Health and Social Care could then take remedial action.

The 2003 Act also established an independent regulator for NHS foundations trusts which cooperates with the Healthcare Commission. In the case of Foundation Trusts, the Healthcare Commission will report to the regulator, rather than the Secretary of State.

The independent regulator also reports on NHS Foundation Trusts' financial accounts.

The Healthcare Commission's responsibilities were taken over by the Care Quality Commission (the "CQC") in 2009. The CQC is an executive non-departmental body sponsored by the Department of Health and is responsible for regulating all health and social care services in England. The CQC's role is to monitor, inspect and regulate services to ensure that fundamental standards of quality and safety are met. The CQC also set standards of care and regulate hospitals, GPs and doctors, care homes, ambulances and other care services. If services are not meeting fundamental standards of quality and service, the CQC has the power to:

- (i) issue warnings;
- (ii) restrict services;
- (iii) issue fixed penalty notices;
- (iv) suspend or cancel a provider's registration; or
- (v) prosecute the provider.

Healthwatch England, a statutory committee of the CQC, was established by the 2012 Act. It is intended to provide local communities with a way of influencing local healthcare provision by having the power to recommend that the CQC takes action where Healthwatch England has concerns about health and social care services.

NHS Improvement is an umbrella organisation responsible for overseeing Foundation Trusts and NHS trusts, as well as independent providers that provide NHS-funded care. NHS Improvement brings together a number of monitoring agencies, including:

- (i) NHS Trust Development Authority ("NHS TDA"), whose role is to oversee the performance of NHS trusts;
- (ii) Monitor, the sector regulator for health services in England;
- (iii) Patient Safety;
- (iv) Advancing Change Team; and
- (v) Intensive Support Teams.

6 Recent Reform – Health and Social Care Act 2012

The 2012 Act came into force on 28 March 2012 and substantially changed the structure and regime implemented by the 2006 Act. The 2012 Act was implemented to target rising demand and treatment cost pressures on the NHS, the need for improvement of the NHS and the state of public finances and Government

protection of the NHS budget. In addition, the 2012 Act sought to modernise the NHS, improve efficiency of the NHS and its management and to make the NHS more responsive, efficient and accountable.

The principal reforms implemented by the 2012 Act include:

- (i) the abolition of PCTs and Strategic Health Authorities – to be replaced with CCGs (responsible for commissioning certain medical services in accordance with the 2006 Act) and NHS England (responsible for commissioning some services directly and for regulating the CCGs commissioning activities. Local authorities (who are not under a duty to improve public health) and the Secretary of State (through Public Health England) are to take over responsibility from PCTs. Local Healthwatch Organisations have also been established to carry out the functions of Local Involvement Networks;
- (ii) Health and Wellbeing Boards have been established to ensure integration in approach to health and social care;
- (iii) the NHS Commissioning Board has been established whose duties are to promote health service in England and to exercise functions in connection with CCGs to ensure that relevant services are provided;
- (iv) NHS trusts, established by the 2006 Act will be abolished; and
- (v) Healthwatch England has been established (as a statutory committee of the CQC).

Various inquiries have been undertaken since the 2012 Act, including the Francis Enquiry (February 2013) into failings at the Mid-Staffordshire NHS Foundation Trust; the Keogh review (July 2013) into 14 NHS trusts which had a persistently high mortality rate (the CQC has since built upon the Keogh Review in developing its process of inspecting all NHS trusts throughout England); and the Berwick Review (August 2013) which made recommendations including in respect of transparency, continual learning and leadership in the NHS.

The 2012 Act was also followed by the “NHS Five Year Forward Review” (October 2014), which set out further requirement for change in the NHS, focusing on a more engaged relationship with patients, carers and citizens.

7 NHS Trusts and the Private Finance Initiative

The National Health Service (Private Finance) Act 1997 conferred on an NHS trust the power to enter into externally financed development agreements as part of the Government’s PFI initiative. This power is now found in clause 40 of the 2006 Act (as amended by the 2012 Act)). However, such agreements can only be entered into if in the Secretary of State for Health and Social Care’s opinion the purpose or main purpose of the agreement is the provision of facilities or services in connection with the discharge of the Foundation Trust’s functions.

8 Residual Liabilities where NHS Bodies cease to exist

In the event that an NHS trust ceases to exist, the Secretary of State for Health and Social Care is required by section 70 of the 2006 Act (as amended by the 2012 Act) to vest such Trust’s property, rights and liabilities in another NHS body (as defined by section 28 of the 2006 Act), which includes an NHS body or the Secretary of State. These safeguards were first introduced by the Residual Liabilities Act, but it should be noted that these provisions do not apply to former NHS trusts which have become Foundation Trusts.

The Trust was formed in 1993. There are four hospitals under the Trust, including the Hospital. The Trust is not a Foundation Trust.

A Deed of Safeguard has been entered into between the Trust, ProjectCo and the Security Trustee in relation to the development and provision of services at Queen Alexandra Hospital. See the section entitled “*Description of the Project Documents — Deed of Safeguard*” above.

9 NHS Foundation Trusts

The NHS Plan, published in July 2000, set out the Government's 10-year plan to modernise the NHS and social care system. This was supplemented by "*Delivering the NHS Plan: next steps on investment, next steps on reform*", published in April 2002. As part of the Government's desire to introduce a devolved health service, offering wider choice and greater diversity bound together by common standards, rigorous inspection and NHS values, "*Delivering the NHS Plan*" set out proposals for developing Foundation Trusts, a new type of organisation in the NHS.

Foundation Trusts were intended to have greater freedom to improve services for NHS patients.

Foundation Trusts were, according to the Department of Health, to be set up as independent public benefit organisations and modelled on co-operative and mutual traditions. They:

- (i) are controlled and run locally. The balance between local public accountability and central state control is more weighted to local public accountability;
- (ii) may have increased freedoms to retain any operating surpluses and access a wider range of options for capital funding to invest in delivery of new services;
- (iii) recruit and employ their own staff;
- (iv) have to deliver on national targets and standards like the rest of the NHS, but be free to decide how they achieve this;
- (v) may not be subject to all directions from the Secretary of State for Health and Social Care; and
- (vi) may not be subject to performance management by Strategic Health Authorities and the Department of Health.

The 2003 Act came into force on 20 November 2003. The legislation under which Foundation Trusts may be established is now found in Chapter 5 of the 2006 Act (as amended by the 2012 Act).

Though Foundation Trusts may be free to borrow money without the express agreement of the Department of Health or the Treasury, each Foundation Trust has a Board of Governors responsible for representing the interests of patients, staff, local partner organisations and the local community.

An independent regulator monitors the performance of Foundation Trusts. The independent regulator is independent from the Department of Health and is accountable to the UK Parliament. The independent regulator's main responsibility is to agree an "authorisation" with each Foundation Trust. The authorisation will set out the framework within which a Foundation Trust agrees to operate.

The Government's aim was that by 2008, all NHS trusts would have reached a standard which would enable them to apply for Foundation Trust status (the Health and Social Care Bill had further proposed that all NHS trusts would become Foundation Trusts by 2014 – this has since been relaxed). The Department of Health's intention was that this would ensure that throughout England and Wales there are high performing organisations which are empowered to deliver high quality services to local people, so that no part of the NHS is left behind.

Under the 2012 Act, the NHS Trust Development Authority was established to assist NHS trusts in achieving foundation status.

10 Special Measures

The special measures regime was introduced in 2013, following a review of 14 NHS trusts with high mortality rates. A decision to place an NHS trust or a Foundation Trust into special measures will usually follow a

recommendation from the CQC to Monitor (in the case of a Foundation Trust) or to NHS TDA (in the case of NHS trusts). Special measures are designed to give Trusts the support they need to improve and typically include:

- (i) partnership with a high-performing Foundation Trust or NHS trust to help deliver improvements;
- (ii) production of a regularly updated action plan, detailing progress being made;
- (iii) appointment of an improvement director;
- (iv) review of the capability of the NHS trust or Foundation Trust leadership and appropriate changes made; and
- (v) in the case of Foundation Trusts, suspension of some or all of its freedoms to operate as an autonomous body.

In 2016, NHS Improvement and NHS England introduced new programmes of financial special measures to target NHS trusts, Foundation Trusts and CCGs who were unable to ensure sufficient financial discipline.

THE PORTSMOUTH HOSPITALS UNIVERSITY NATIONAL HEALTHCARE SERVICE TRUST

The Trust is one of the largest acute hospital trusts in England treating over half a million patients each year. It provides comprehensive secondary care and specialist services to a local population of 675,000 people across South East Hampshire. It also offers some tertiary services to a wider catchment in excess of two million people. In 2020, the Trust was awarded university hospital status.

The Trust was formally created by a Statutory Instrument (SI 1992 No. 2506 (The Portsmouth Hospitals National Health Service Trust (Establishment) Order 1992) (“**the 1992 Order**”) made by the Secretary of State for Health on 23 October 1992 (which came into effect on 4 November 1992) under the powers given to him by section 5(1) of the National Health Service and Community Care Act 1990. The 1992 Order has been amended twice, first by The Portsmouth Hospitals National Health Service Trust (Establishment) Amendment Order 2004 (SI 2004 No. 75) (“**the 2004 Order**”) and again by The Portsmouth Hospitals National Health Service Trust (Establishment) Amendment Order 2020 (SI 2020 No. 767) (“**the 2020 Order**”). References in this paragraph to “**the Establishment Order**” are to the 1992 Order as amended by the 2004 Order and the 2020 Order.

The Establishment Order sets out the functions of the Trust which are to provide goods and services, namely hospital accommodation and services, and community health services, for the purposes of the health service.

Article 4 of the Establishment Order provides for the Trust to have, in addition to the chairman, five non-executive directors and five executive directors. That article also states that the Trust is to be regarded as having a significant teaching commitment by virtue of paragraph 5(1)(d) of Schedule 4 to the 2006 Act and consequently one of the non-executive directors must be appointed from the University of Portsmouth.

The Trust is a body corporate pursuant to paragraph 1 of Schedule 4 to the 2006 Act.

The headquarters of the Trust is at Queen Alexandra Hospital, Cosham, Portsmouth PO6 3LY.

The Trust has its own board of directors, consisting of a non-executive Chairman (appointed by the Secretary of State for Health and Social Care), five non-executive directors (appointed by the Secretary of State for Health and Social Care) and five executive director posts as follows:

Name	Role
Mark Cubbon	Chief Executive Officer
Chris Evans	Chief Operating Officer
Mark Orchard	Chief Financial Officer
John Knighton	Medical Director
Liz Rix	Chief Nurse

The Chief Executive is designated as the ‘Accountable Officer’ and is accountable to the UK Parliament, through the Chief Executive of the NHS, for the efficient and proper use of the resources under the Trust’s control.

In the financial period from 1 April 2019 to 31 March 2020, the Trust employed more than 7,800 staff.

The Trust offers a wide range of hospital services from its main site at Queen Alexandra Hospital in Portsmouth. It also offers a range of outpatient and diagnostic facilities at community sites and local treatment centres across Portsmouth and South East Hampshire. These include:

- (i) St Mary’s Hospital – midwifery, dermatology and disablement services;
- (ii) Gosport War Memorial Hospital – a range of services including Blake Maternity Unit, Minor Injuries Unit and diagnostics; and
- (iii) Petersfield Community Hospital – The Grange Maternity Unit.

The Trust is a regional cancer centre and also provide some tertiary services to a catchment area of more than two million people. This includes the Wessex Kidney Service.

The Trust also hosts the country’s largest Ministry of Defence Hospital Unit, Joint Hospitals Group South, treating current and former members of the armed forces and their families and training clinicians.

The Trust is fully registered with the CQC to allow it to carry out a wide range of regulated activity. The principal location registration is for the Queen Alexandra Hospital, and there are other registrations in place for the other key sites at which the Trust provides services.

The Trust was subject to a comprehensive CQC inspection in October 2019 and a specific well-led inspection in November 2019, following which the Trust was rated as follows:

Safe	Effective	Caring	Responsive	Well-led	Overall
Requires improvement	Good	Good	Good	Good	Good

TAXATION

1 UK Taxation

The following is a summary of the Issuer's understanding of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. The comments also summarise the Issuer's understanding of certain other limited UK tax aspects of acquiring, holding or disposing of Bonds. The comments relate only to the position of investors who are absolute beneficial owners of the Bonds and do not apply to the Issuer if it holds any Bonds. The following is a general guide and is based on current UK law and what is understood to be current H.M. Revenue & Customs practice (which may not be binding) in each case as at the last practicable date before the date of this Prospectus, both of which are subject to change (potentially with retrospective effect). This summary should be treated with appropriate caution and may not apply to certain classes of Bondholders or Couponholders (such as dealers) who are subject to special rules or where the income is deemed for tax purposes to be the income of any other person. Bondholders or Couponholders (or prospective Bondholders or Couponholders) who are in any doubt as to their tax position should consult their professional advisers.

Bondholders or Couponholders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they might be so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain limited UK taxation aspects of acquiring, holding or disposing of Bonds and payments in respect of the Bonds. In particular, Bondholders and Couponholders should be aware that the tax legislation of any jurisdiction where a Bondholder is resident or otherwise subject to taxation may have an impact on the tax consequences of an investment in the Bonds including in respect of any income received from the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

2 UK Withholding Tax on UK Source Interest

The Bonds issued by the Issuer will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes and this condition should be satisfied so long as the Bonds are and remain listed on the Official List of the FCA and admitted to trading on the London Stock Exchange. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds by the Issuer may be made without withholding or deduction for or on account of UK income tax.

In other cases, payments of interest on the Bonds may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

3 Other Rules Relating to UK Withholding Tax

Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds will not be subject to withholding or deduction for or on account of UK income tax pursuant to the provisions mentioned in paragraph 1 above, but may be subject to reporting requirements in the UK.

Where Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to withholding or deduction for or on account of UK income tax pursuant to the provisions mentioned in paragraph 1 above and are subject to reporting requirements in the UK.

Where interest has been paid under deduction of UK income tax, Bondholders or Couponholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4 UK Withholding Tax on payments by AGUK and AGM under the Bond Financial Guarantees

The UK tax treatment withholding tax treatment of payments by guarantors is uncertain. If AGUK and/or AGM make any payments in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) such payments may in the case of AGUK, and could in the case of AGM, be subject to UK withholding tax subject to any available domestic exemptions and such relief as may be available under the provisions of any applicable double taxation treaty. Such payments by AGUK and AGM may not be eligible for the quoted Eurobond exemption described above.

The UK withholding tax position described in this paragraph 4 and paragraphs 1 to 3 above, assumes that there will be no substitution of the Issuer as principal obligor under the Bonds and does not consider the tax consequences of any such substitution.

The references to “interest” in this paragraph 4 and paragraphs 1 to 3 above, mean such amounts that are treated as interest for the purposes of UK tax law. The statements above do not take into account different definitions of “interest” or “principal” which may prevail under any other law or which may apply under the terms and conditions of the Bonds or any related documentation.

5 U.S. 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 UK) 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. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, 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 Bonds, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the publication of the final regulations defining “foreign passthru payment” in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Bonds 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 (including by reason of a substitution of the Issuer).

Potential investors should consult their own tax advisers regarding how these rules may apply to any investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts to a holder of Bonds as a result of the withholding.

SUBSCRIPTION AND SALE

1 Subscription

The Manager has, in a subscription agreement dated on or around the date of this Prospectus (the “**Subscription Agreement**”) between it, the Issuer, Issuer HoldCo, AGUK and AGM upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Bonds at the Issue Price, less an underwriting commission of the principal amount of the Bonds plus accrued interest, if any. The Issuer has agreed to reimburse the Manager for certain of its expenses incurred in connection with the management of the issue of the Bonds. The Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

Except for the fees payable to the Manager and save as otherwise disclosed in this Prospectus, no person has any interest, including conflicting interests, that are material to the issue of the Bonds.

2 Selling Restrictions – United States

2.1 The Bonds and the Bond Financial Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Manager represents that it has offered and sold the Bonds and the Bond Financial Guarantees, and agrees that it will offer and sell the Bonds and the Bond Financial Guarantees (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Bond Financial Guarantees, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Manager agrees that, at or prior to confirmation of sale of Bonds and the Bond Financial Guarantees, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds and the Bond Financial Guarantees from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (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 the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.

2.2 In addition:

- (i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”), the Manager (i) represents that it has not offered or sold, and agrees that during a 40 day restricted period it will not offer or sell, Bearer Bonds to a person who is within the United States or its possessions or to a United States person, and (ii) represents that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Bonds that are sold during the restricted period; and
- (ii) the Manager represents that it has, and agrees that throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly

engaged in selling Bearer Bonds are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

3 Prohibition of Sales to EEA Retail Investors

The Manager has represented and agreed, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision:

3.1 the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), 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 Regulation (EU) 2017/1129; and

3.2 the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

4 Prohibition of Sales to UK Retail Investors

The Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression “**retail investor**” means a person who is one (or more) of the following:

- (iv) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (v) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
- (vi) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

5 Selling Restrictions – United Kingdom

The Manager represents and agrees that:

- (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, Issuer HoldCo, AGM or AGUK; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

6 Selling Restrictions – General

Neither the Issuer nor the Manager makes any representation that any action will be taken in any jurisdiction by the Manager or the Issuer that would permit a public offering of the Bonds, or possession or distribution of Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Manager will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. Neither the Issuer will have any responsibility for, and the Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Manager is not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, this Prospectus (in final form) or any amendment or supplement to it.

Attention is also drawn to the information set out in the section entitled “*Important Notice*” above.

GENERAL INFORMATION

1. It is expected that the Bonds will be admitted to the Official List and admitted to trading on the London Stock Exchange on or about 22 April 2021, subject only to the issue of each Temporary Global Bond and to the execution by AGUK of the AGUK Bond Financial Guarantee and AGM of the AGM Bond Financial Guarantee. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
2. The total estimated expenses to be paid by the Issuer in relation to the admission to trading are approximately £13,600,000.00 exclusive of VAT.
3. The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 14 April 2021.
4. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds.
5. AGUK has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the AGUK Bond Financial Guarantee.
6. AGM has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the AGM Bond Financial Guarantee.
7. There has been no significant change in the financial performance or financial position of the Issuer and no material adverse change in the prospects of the Issuer since the date of its incorporation.
8. There has been no significant change in the financial performance or financial position of Issuer HoldCo and its subsidiaries and no material adverse change in the prospects of Issuer HoldCo since the date of its incorporation.
9. There has been no significant change in the financial performance or financial position of ProjectCo, and no material adverse change in the prospects of ProjectCo since 31 December 2019, the date of its most recent audited financial statements.
10. There has been no significant change in the financial performance or financial position of ProjectHoldCo, and no material adverse change in the prospects of ProjectHoldCo since 31 December 2019, the date of its most recent audited financial statements.
11. Other than the Part VII Transfer and its impact on AGUK (see the section entitled “*Description of the Financial Guarantors – Assured Guaranty UK Limited – Recent Developments*” above), there has been no significant change in the financial performance or financial position of AGUK, and no material adverse change in the prospects of AGUK since 31 December 2020, the date of its most recent audited financial statements.
12. There has been no significant change in the financial performance or financial position of AGM, and no material adverse change in the prospects of AGM since 31 December 2020, the date of its most recent audited financial statements.
13. The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware) which may have, or have had since the date of its incorporation, a significant effect on its financial position or profitability.
14. The auditors of the Issuer are PricewaterhouseCoopers LLP, a member firm of the Institute of Chartered Accountants in England and Wales. No audited accounts have been prepared in relation to the Issuer.

15. For as long as the Prospectus remains in effect or any Bonds are outstanding, copies of the following documents may be inspected in physical and/or electronic form during normal business hours at the offices of the Principal Paying Agent at its specified office, currently at 8 Canada Square, London, E14 5HQ:
- (a) articles of association of the Issuer;
 - (b) articles of association of Issuer HoldCo;
 - (c) articles of association of AGUK;
 - (d) articles of association of ProjectCo;
 - (e) articles of association of ProjectHoldCo;
 - (f) by-laws of AGM;
 - (g) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
 - (h) prior to the Issue Date, drafts (subject to notification) of and after the Issue Date:
 - (A) the Issuer Finance Documents;
 - (B) the AGUK Bond Financial Guarantee;
 - (C) the AGM Bond Financial Guarantee; and
 - (D) the Bond Trust Deed;
 - (i) audited financial statements of AGUK for the financial years ended 31 December 2020 and 31 December 2019;
 - (j) audited consolidated financial statements of AGM for the financial years ended 31 December 2020 and 31 December 2019; and
 - (k) audited accounts of ProjectCo for the financial years ended 31 December 2019 and 31 December 2018.
16. The Bonds (other than the Temporary Global Bonds) and any Coupons and Talons appertaining thereto will bear a legend to the following effect: *“Any United States person (as defined in the Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in section 165(j) and 1287(a) of the Internal Revenue Code.”*
- The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The ISIN of the Bonds is XS2314794145 and the common code of the Bonds is 231479414. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
17. The Legal Entity Identifier code of the Issuer is 213800SUNY98NGMKR313.
18. The Legal Entity Identifier code of AGUK is 549300M46A841BTWC767.
19. The Legal Entity Identifier code of AGM is 549300EW17XUAI9WBQ69.
20. 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.

21. The website of AGUK is <http://assuredguaranty.com/>. The information on <http://assuredguaranty.com/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.
22. The website of AGM is <http://assuredguaranty.com/>. The information on <http://assuredguaranty.com/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.
23. Past and further performance information of the Index can be found at <http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/index.html>.
24. Save for the Bondholder Report, the Issuer does not intend to provide any post-issuance information.
25. The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo and/or the Financial Guarantors and their affiliates in the ordinary course of business. The Manager and its affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo and/or the Financial Guarantors and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of its business activities, the Manager and its 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 its customers, including the Issuer, Issuer HoldCo, ProjectCo and ProjectHoldCo and/or the Financial Guarantors and their affiliates. Such investments and securities activities may involve securities and/or instruments of the Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo and/or the Financial Guarantors and their affiliates. The Manager and its affiliates that have a lending relationship with the Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo and/or the Financial Guarantors and their affiliates routinely hedge their credit exposure to Issuer, Issuer HoldCo, ProjectCo, ProjectHoldCo and/or the Financial Guarantors and their affiliates consistent with its customary risk management policies. Typically, the Manager and its 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 securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of the Bonds. The Manager and its 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.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following:

1. the audited financial statements of Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc) for the financial year ended 31 December 2020, together with the audit report thereon, which appears in Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc)'s annual report and accounts for the year ended 31 December 2020 (the “**AGUK 2020 Financial Statements**”) http://assuredguaranty.com/uploads/PDFs/AGE_2020_Financial_Statements.pdf;
 2. the audited financial statements of Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc) for the financial year ended 31 December 2019, together with the audit report thereon, which appear on pages 12 to 16 of Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc)'s annual report and accounts for the year ended 31 December 2019 (the “**AGUK 2019 Financial Statements**”) http://assuredguaranty.com/uploads/PDFs/AGE_2019_Financial_Statements.pdf;
 3. the audited consolidated financial statements of Assured Guaranty Municipal Corp. for the financial years ended 31 December 2020 and 31 December 2019, together with the audit report thereon, which appears on page 1 of Assured Guaranty Municipal Corp.'s consolidated financial statements for the year ended 31 December 2020 (the “**AGM 2020 and 2019 Financial Statements**”) http://assuredguaranty.com/uploads/PDFs/GAAP_AGM_4Q_2020_FS_FINAL.pdf;
- together, the “**Documents Incorporated by Reference**”).

The Documents Incorporated by Reference have been previously published or are published simultaneously with this Prospectus and have been approved by the FCA or filed with it. The Documents Incorporated by Reference shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference in this Prospectus shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Bonds or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

APPENDIX - MAMG TECHNICAL ADVISOR REPORT MARCH 2021

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PROJECT JILL

Senior Lender Technical Advisor Report

March 2021



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1. INTRODUCTION

MAMG Consultancy Limited (“MCL”) has been appointed by Assured Guaranty (Europe) Plc and Assured Guaranty Municipal Corp. (the “Client”) to undertake the role of Senior Lender Technical Advisor in connection with the Department of Health and Social Care’s (“DoH”) proposed disposal of its c. £265m credit guarantee finance loan in respect of the Portsmouth Queen Alexandra Hospital PFI project being delivered by The Hospital Company (QAH Portsmouth) Limited (“THC” or “Project Co”).

This report is issued pursuant to the Technical Advisor Agreement and associated Scope of Service.

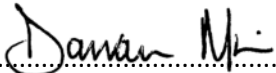
The report is issued for the benefit of the following parties, solely for the purpose of providing technical advice:

- Assured Guaranty (Europe) plc;
- Assured Guaranty Municipal Corp.;
- The Bond Lead Manager (as defined within the Technical Advisor Agreement); and
- The Swap Provider (as defined within the Technical Advisor Agreement).

MCL has exercised reasonable skill and care in the production of this report and we acknowledge that certain information contained in this report will be made available to other parties. MCL can accept no liability in respect of any party other than the above parties arising from submission of this report, nor do we take liability for any design or facilities management related compliance or performance matters in relation to this project.

A copy of our Scope of Service is provided in Appendix 1 for reference. We trust the contents are self-explanatory, but should you have any queries or comments, please do not hesitate to contact the undersigned.

Prepared by:



Darran Muir BSc (Hons), MRICS

Director

Date: 10/03/2021

Approved by:



Pramod Khokhrai BA (Hons)

Associate Director

Date: 10/03/2021

2. EXECUTIVE SUMMARY

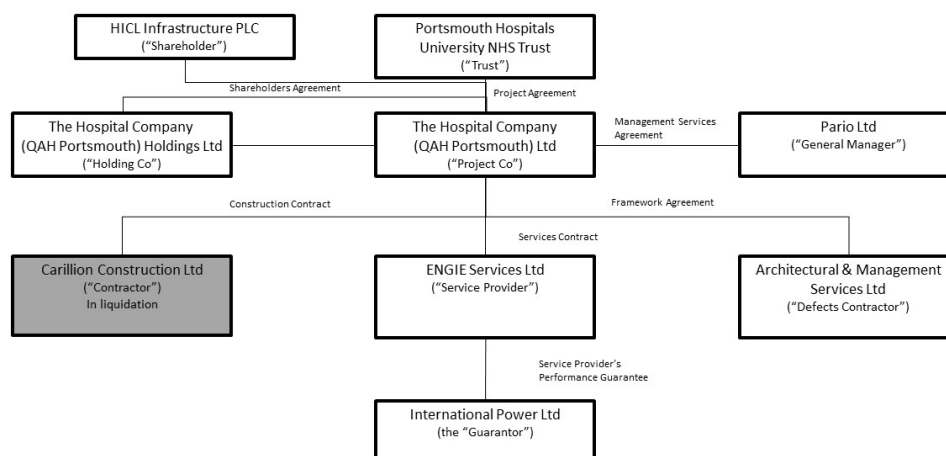
Project Summary

The Trust and Project Co entered into the Project Agreement, on 15th December 2005, associated with the design, build, finance and delivery of pre-agreed services. Construction activities, comprising a mix of new build and reconfiguration of parts of the retained estate, were completed, by Carillion Construction Limited, over 3 phases with the final phase completing on 24th June 2010. The concession lasts for a period of 35 years from the date of Financial Close and will end on 14th December 2040. The scheme has a reported Gross Internal Floor Area (GIFA) of 149,113m².

The project involved the construction of a new eight-storey building, containing 1,200 beds together with 28 operating theatres. There are various other satellite buildings provided including a Pathology and Mortuary (with a helipad at roof level) and a multi-storey car park. The Trust (and Ministry of Defence) has over 7,200 staff working in the hospital.

Following the liquidation of Carillion, ENGIE Services Limited were appointed by Project Co, as Interim Manager, to deliver the FM Services on 2nd April 2018 and were subsequently appointed as the permanent FM Service Provider on 31st January 2019. Project Co also entered into a Framework Agreement with Architectural Management Services Limited (“AMS”) associated with works to variations, defect rectification and lifecycle works.

The project structure is shown below:



The project includes the following non-clinical services, which are all delivered by the FM Service Provider:

Market Tested FM Services (Soft FM)	
Car Parking	Non-Patient Catering
Patient Catering	Domestic
Portering	Post
Receipt and Distribution	Security
Telecommunications	Linen, Laundry and Sewing Room
Waste Management	Ward Housekeeping
Non-Market Tested Services (Hard FM)	
Estates	Grounds Maintenance
Pest Control	Helpdesk

Due to the specialist nature of some of these services, the FM Service Provider has outsourced the delivery of some maintenance services to specialist maintenance providers.

Defects

Project Co had, through the Construction Contract, passed all design and build obligations to Carillion Construction Limited. This would have included the liability associated with any defect within the construction work up to the twelfth anniversary of each Actual Phase Completion Date. However, with the insolvency of Carillion Construction Limited, and their Performance Guarantor, Project Co now take on the responsibility for the liability associated with any defects, except for Latent Defects within the Retained Estate, where the Trust remain liable.

When the parties entered into Supplementary Agreement No 5, there was acknowledgement various Defects (“Outstanding Defects”) had not been completed. The programme for rectification of these Defects was incorporated into the Agreement, with Project Co being granted relief from failure to perform any Service as a result of any of these Outstanding Defects. If Project Co fail to meet the planned completion date for each defect, they will be liable to pay the Trust liquidated damages, at a level of £1,000 per week per defect (up to an aggregate cap of £100,000 across all defects). Project Co is entitled to claim an extension of time if completion has been delayed due to any act or omission of the Trust/Trust Party.

Project Co has appointed AMS to manage the defect rectification work on their behalf, with specialist consultants appointed to undertake in-depth reviews of each issue, with the works then scoped and tendered. Although remedial works have been progressing well, there have been delays caused, mainly by access restrictions as a result of COVID-19. Where delays have occurred, the Trust has agreed extensions of time against the planned completion dates, with no liquidated damages having been charged to Project Co by the Trust to date.

Agreement has been reached relating to the funding of remedial works associated with the Steam Duct. The Trust will provide a £5m capital contribution towards the solution. This solution will be jointly agreed with Project Co. This contribution will be paid to Project Co, who is to transfer the funds into the Maintenance Reserve Account. The Trust will also provide a contribution of £2m in relation to the costs incurred to date by Project Co. In the event of the costs to provide the permanent solution exceeding £5m, then the Trust and Project Co will equally share the additional costs. In the event of the costs being lower than £5m, Project Co is to refund the difference to the Trust.

Fire Works

Supplementary Agreement No 5 also contains detail on the responsibility for funding any remedial Fire Works:

- Trust and Project Co will equally share, up to the value of £500,000, the costs of the Trust Fire Improvement Items; and
- Project Co will fund all costs associated with the Fire Improvement Works, with a sharing mechanism in the event of works being more or less than the scope set out within the Olsson Report.

Works to the fire doors are progressing over a phased programme, with works to the fire damper remedials progressing with a planned completion date of 3Q2022.

Remedial works to the fire compartmentation have been suspended, due to COVID-19 access restrictions, to the East Ward Block, however, are progressing to the Centre Block with a planned completion of 3Q22. Works to the peripheral buildings will then follow on.

Energy Related Works

Project Co will fund the upgrade of the existing lighting to LED lighting, up to the value of £3m. Costs in excess of £3m Project Co will initially fund, however, will be reimbursed over a Payback Period of 9 years, with the repayment based upon the availability of the CHP.

Discussions are being held with the Trust and FM Service Provider on the progression of the LED replacement programme and updating of documentation to capture the proposed changes. It is noted Project Co is on target to achieve the number of available hours to enable any additional costs to be reimbursed.

Project Co has also agreed to fund design works associated with the feasibility study for the installation of solar panels, with the intention that they will be refunded in line with the Payback provisions.

Project Co Distributions

Project Co is currently not permitted to make any Distributions until the balance of the Lifecycle Reserve Account less the Required Lifecycle Reserve Balance is equal or exceeds the expenditure to be incurred to rectify/address all the matters referred to in the Lifecycle & Defects Cost Profile.

This is currently under review based upon delays to the completion of various defect activities and progression of the lifecycle activities.

Supplementary Agreement No 5

Commercial discussions took place between the parties, associated with various issues which the parties disagreed upon. Commercial discussions were concluded in December 2017, however, following the compulsory liquidation of Carillion plc (and its associated companies, Project Co then take on the financial liabilities of Carillion Services Limited. Further discussions were then held, with a mutually acceptable solution agreed, which was formalised through the execution of Supplementary Agreement No 5.

Estates Service Performance

Immediately after the commencement of delivery of full Services on the project, the original FM Service Provider had been breaching the Warning Notice threshold level, although the task completion rate was in excess of 95% of tasks against the required Response/Rectification Times.

This resulted in Improvement Plans being implemented to improve the performance levels. This resulted in improvements being made, however, further points were raised by the Trust including tasks not achieving Condition B status and calculation of deductions. This resulted in the Trust applying retrospective SFPs which breached the Warning Notice threshold level.

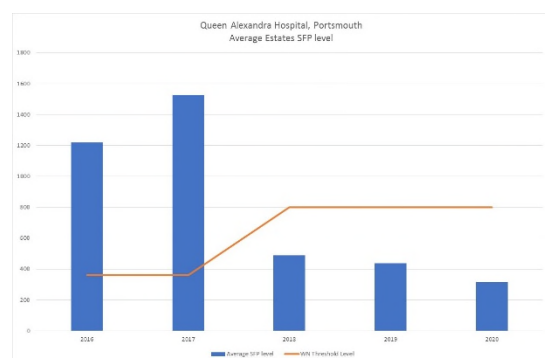
An independent review of the Estates performance was then undertaken by EC Harris, which resulted in a further Action Grid being produced by the original FM Service Provider, which was regularly monitored by Project Co and EC Harris. This resulted in further improvements to the service performance.

Following a change in Project Co personnel in 2014, the original FM Service Provider was tasked with progressing a transition plan to bring the services up to the required standard. Fortnightly reviews were undertaken of the plan, which led to significant improvement in performance.

At this point, a new process for the Payment Mechanism was implemented with the original FM Service Provider reporting all failures in line with the new processes agreed with the Trust (further details provided below). A lot of work was undertaken during late 2016 on the development of mitigation protocols associated with task failure.

During 2017, agreement was reached with the Trust that the Warning Notice threshold level would increase, along with an increase to the Project Co Event of Default threshold level. During the latter part of 2017, the performance level reduced to below the Warning Notice threshold level.

Following the compulsory liquidation of Carillion, in January 2018, Project Co appointed ENGIE Services Limited, initially as Agent of Operations followed by entering a revised Services Contract. Since ENGIE were appointed, the performance level has remained below the monthly Warning Notice threshold level, with the adjacent chart showing the improvement in service delivery for the period from 2016 onwards.



We consider the improvement has been down to several reasons, including:

- Filling of vacant positions including positions associated with Authorising Engineer, Competent Person and Responsible Person;

- Improvements in the retaining of critical stock of items;
- Mitigation Protocols being in place for agreed commonly arising tasks; and
- Improvements in the relationships between the Trust, Project Co and replacement FM Service Provider which has led to improved dialogue between the parties on tasks.

Although there have been concerns with the level of SFPs accrued in relation to the Estates Service for a prolonged period of time, the replacement FM Service Provider has put measures in place which has resulted in significant reduction in the level of SFPs being awarded, which has led to no breaches of the Warning Notice threshold level since their appointment.

Supplementary Agreement No 5 captures the agreement reached between the parties on various issues including:

- **Payment Reconciliation:** The Trust and Project Co were required to issue various Credit Notes and invoices, which resulted in the discharge of all historic claims, except for any Reserved Claims set out in the Agreement;
- **Water Management:** Agreement has been reached on the cost liability of the parties on the point of use water filters, with a protocol for the filter removal also formalised;
- **Estates Maintenance Protocols:** some protocols have been incorporated into Schedule 14, with the parties working together to agree additional protocols for inclusion;
- **Minor Lifecycle:** The Trust has acknowledged Project Co and FM Service Provider had not been complying with the contract provisions, which removes the potential for the Trust to make a claim;
- **Method Statements:** The Trust acknowledged Project Co and the FM Service Provider were not in breach of contract for not previously providing the Services in accordance with the original FM Service Provider's Method Statements;
- **Energy Standing Charges:** Project Co to assist to the Trust in reclaiming energy standing charges from suppliers;
- **Pensions:** Project Co is indemnified associated with any losses, costs, liabilities and expenses incurred as a result of a delay in the issue of a Pension Direction;
- **SFP Levels:** introduction of a 3-month bedding in period for any new/altered Quality Failures;
- **Small Works/Minor Works:** The parties are to work together to agree the Cambridge House Model which will be used for the calculation of all operational costs for future Small Works/Minor Works;
- **Capital Works Variations:** Noting the parties are to enter deeds of variation associated with works undertaken directly by the Trust;

- **Drawings:** Project Co is to provide the Trust with a matrix detailing any missing drawings and a programme for creation/updating of all drawings; and
- **Equipment Responsibility Matrix:** the parties are to undertake a detailed review of all equipment to determine whether any anomalies can be agreed on a cost neutral basis.

Agreement was also reached to amend the following Schedules to the Project Agreement:

- **Schedule 14:** amended to reflect the removal of the Ward Housekeeper Service, with the Performance Standards allocated into the Domestic and Patient Catering Services. Amendments were also made to the Performance Standards to reflect the commercial agreements reached between the parties. We have reviewed the Failure Event and Quality Failure Schedules for each Service and consider these to be appropriate based upon the provisions of the Service Level Specifications. The revised Method Statements provide detail on how the FM Service Provider plans to deliver the Services, so they comply with the Service Level Specification for each Service. We consider the FM Service Provider will be able to comply with these to ensure provision of the required services to meet the Service Level Specification for each Service.
- **Schedule 18:** the changes reflect the commercial agreements reached including restating of the Annual Service Payment, amendments to Volume Adjustments, simplification of the Energy Payment calculation, amendments to the Service Weightings, revised Functional Area and Functional Units spreadsheet, amendments to threshold levels and the introduction of the Shared Benefit Model;
- **Schedule 22:** changes to the Small Works and new methodology relating to providing a formulaic approach to calculating adjustments to the Annual Operational Costs and also the Annual Lifecycle Costs.

Handback Provisions

We consider the Handback provisions to be in line with the standard form drafting, with a few exceptions:

- Requirement for the FM Network and Trust Network to be in the required condition; and
- Requirement to assign all Project Data and Intellectual Property Rights.

These obligations are passed down from Project Co to the FM Service Provider.

FM Contract Obligations

Project Co entered a revised Services Contract with ENGIE Services Limited, following the compulsory liquidation of Carillion in January 2018. The revised Services Contract uses the format of the original Services Contract previously entered between Project Co and Carillion Services Limited.

Some of the amendments against the original Services Contract are:

- A new Schedule 41 (Pricing Issues) was added associated with key commercial terms;
- Inclusion of a new Excusing Cause associated with Defect provisions, meaning Project Co retain responsibility for dealing with any Defect issues, including the funding of remedial works;
- The FM Service Provider's Liability Cap and FM Service Provider's Termination Cap was amended to £2m (for the first 12 months) and £4m (beyond the 12-month period). Now that Supplementary Agreement No 5 has been entered, the Liability Cap has been amended to the same as the original Services Contract;
- Clause 28.16 (previously 28.17) has been amended to remove reference to the FM Service Provider undertaking all lifecycle works. This allows Project Co to appoint other parties, such as AMS, to complete the lifecycle works;
- The original Services Contract permitted Carillion to receive 25% of any lifecycle Reference Saving. This has been deleted within the revised Services Contract;
- Provision has been added in confirming the FM Service Provider will be responsible for replacement of all elements which have a cost of less than £500 (indexed); and
- The Data Protection aspects were updated to reflect the GDPR regulations. Modern Slavery Act provisions were also been added to the contract.

We consider the Excusing Causes, at Project Agreement level, to be in line with standard market practice, except for the following:

- Latent Defects (clause 8.7(h)) is additional to the standard form; and
- Helicopter landings (new clause 8.7(i)) added through Supplementary Agreement No 5).

The Services Contract has the same Excusing Causes with the addition of the Defect provisions. We do not consider the Defect provisions Excusing Cause to be standard form.

Overall, we consider the obligations within the Project Agreement have been passed down into the revised Services Contract, except for the provisions detailed within Schedule 41 of the Services Contract.

Condition Survey

During 2018, Faithful+Gould (F+G) were commissioned by the FM Service Provider to undertake a condition assessment of the estate at Queen Alexandra Hospital, Portsmouth. Generally, we considered the findings identified within the F+G assessment were in line with the works included within the 5-year lifecycle plan, however, where there were differences, we recommended that the works identified within the F+G assessment, which had not been included within the 5-year lifecycle plan, be incorporated.

Capital Works Variations

During 2018/2019, the Trust appointed their own contractors to undertake various Capital Works on their behalf, on the assumption these would be dealt with on a “carve-out/in” basis. The following are noted as Trust Capital Works Variations:

- New A6 Ward Extension;
- New Discharge Lounge facility;
- Reconfiguration of part of the existing Emergency Department; and
- LINAC.

Through Supplementary Agreement No 5, the parties are to seek to enter deeds of variations associated with these schemes. Legal discussions on the deeds of variations are nearing completion, with the Trust lawyers requesting minor amendments to the draft documents.

Future Variations/Developments

The Trust are seeking to undertake several developments on the project, including:

- **Additional Bed Capacity (72 Bed Modular Ward):** provision of a modular bed ward on the site of the North car park;
- **New Entrances Project:** third-party developer seeking to undertake several developments to the Main Entrance area, North Entrance and development of a Multi-Storey Car Park on the North Car Park site;
- **Emergency Floor Capital Project:** Trust is currently preparing their Outline Business Case for the Emergency Floor development, to be located on the site of the current East car park;
- **Managed Services Project:** initial soundings have been made about the potential to incorporate a Managed Equipment Service Contract in the PFI;

- **Sitewide Electrical Infrastructure:** Project Co is providing support to the Trust on the design for increasing electrical resilience on the project to alleviate concerns over existing electrical supply and provide additional capacity for future developments.

Payment Mechanism

The principles of the Payment Mechanism are based on a structure which is well-accepted within the market (Standard Form Version 3). Partnerships UK were previously given a remit by the UK Government to share guidance, information and examples of best practice across PFI projects. As a result, Standard Form Version 3 was created which was used on several PFI healthcare projects signed within a similar time period to the Queen Alexandra Hospital project.

The Monthly Service Payment is adjusted for Volume aspects, Energy and Water payments, Pass Through Costs, Agenda for Change Pass Through Costs and then deductions for Failure Events and Quality Failures. The Service Payment is indexed in line with RPI (using April 2002 as the Base Date), which is considered typical for a project of this nature.

There is the entitlement to undertake Benchmarking and Market Testing every 5 years. To date, two Benchmarking Exercises have been undertaken (2014 and 2019) which have resulted in an increase to the Market Tested Services.

Annual Service Payment

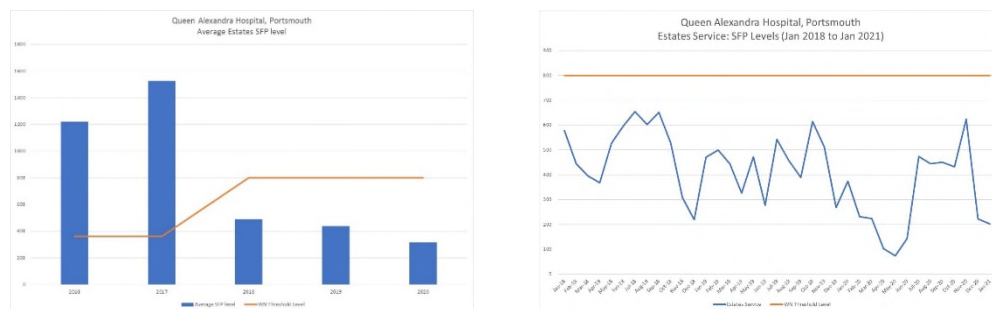
The Original Annual Service Payment (real value) amounts to £26,121,344. This was adjusted through Supplementary Agreement No 5 to a figure of £26,770,126 (as a result of a number of aspects including additional operational costs associated with Supplementary Agreement No 2 and 4, adjustments for Agenda for Change costs, pay progression, TUPE reconciliation, the adjustments associated with the 2014 and 2019 Benchmarking Exercises (excluding Retention of Employment costs) and operational costs associated with variations).

The current Annual Service Payment (ASPN) amounts to £58,184,271 (nominal value). This has been calculated using the real value of £26,770,126 and then adjusting for inflation using the RPI indexation adjustment. The figure is also increased to reflect variations entered between the parties, the Retention of Employment costs adjustments from the 2014 and 2019 Benchmarking Exercises, plus adjustments for Retention of Employment and Whitley Employment Cost Changes.

Project Co can never lose more than the Volume Adjusted Service Payment in any one month. There is no entitlement to carry over any deductions into the following month.

Performance Levels

SFP levels over the previous 3-year period have not resulted in any breach of the Warning Notice threshold levels. The trend shows a decrease in the average SFP level over the 4-year period. Deduction levels are also on a downward trend over the previous 4-year period.



It is evident from the above graph that the Trust had the potential to request the termination of the FM Service Provider for the period between December 2016 through to September 2017. However, this right was not taken up by the Trust.

In the period from March to May 2020, due to the COVID-19 pandemic, the Trust provided mitigation against various tasks which were impacted as a result on activity levels. Once activity levels started going back to a 'business as usual', the FM Service Provider did not apply for any additional mitigations, therefore the SFP levels increased to a level of between 400 and 500 SFPs (50% to 60% of the FM Services Contract Warning Notice threshold level).

The FM Service Provider noted the Trust were being supportive in their approach to task management, with mitigation provided on several tasks which would otherwise have failed.

We consider the decrease in SFP levels has been down to several reasons, including:

- Replacement FM Service Provider has filled the vacant positions including positions associated with Authorising Engineer, Competent Person and Responsible Person;
- Improvements in the retaining of critical stock of items;
- Mitigation Protocols being in place for agreed commonly arising tasks; and
- Improvements in the relationships between the Trust, Project Co and replacement FM Service Provider which has led to improved dialogue between the parties on tasks.

The Deductions for the last calendar year amount to £230,994.04 which equates to 0.40% of the Annual Service Payment and 0.85% of the FM Service Payment. This also equates to 0.71% of the estimated Service Provider Liability Cap.

Deduction Scenarios

Several scenarios have been identified to assess the impact on SFP/Deduction levels.

Table 1: Unavailability Scenarios

Threshold	Time for Warning Notice Threshold to be Breached	Deduction Level
Theatre Department	0.34 days (2 Sessions) – Services Contract	£19,456.07
	0.40 days (2 Sessions) – Project Agreement	
Theatre 1	13.33 days (40 Sessions) – Services Contract	£7,782.43 – Services Contract
	15.33 days (46 Sessions) – Project Agreement	£8,949.79 – Project Agreement
Lift 1	13.33 days (40 Sessions) – Services Contract	£11,272.49 – Services Contract
	15.33 days (46 Sessions) – Project Agreement	£12,963.36 – Project Agreement
Eye Department	0.34 days (2 Sessions) – Services Contract	£8,454.37
	0.39 days (2 Sessions) – Project Agreement	
Clinical Support 1	20 days (40 Sessions) – Services Contract	£3,675.81 – Services Contract
	23 (46 Sessions) – Project Agreement	£4,227.18 – Project Agreement

We consider the likelihood of the full Departments being Unavailable to be low. The most likely elements which would result in full Unavailability are Relief Events, which would result in Project Co not being penalised for Deductions and/or Service Failure Points. The Unavailability of 1 room is considered more realistic, however, with the FM Service Provider having a programme of Planned Preventative Maintenance (PPM) in place where they undertake checks on various elements in line with statutory and manufacturers requirements, this should minimise the potential risk of Unavailability.

Key Performance Indicators

Project Co pass all their FM service delivery obligations down to the FM Service Provider through the Services Contract. Schedule 14 to the Project Agreement sets out the Service Level Specifications which provide detail on the Performance Standards to be met by the FM Service

Provider and the implications of failing to complete the required Performance Standard in line with the requirements.

The table below shows the number of Failure Events and Quality Failures for each Service and their category:

Table 2: Quality Failures and Failure Events per Service

Service	Quality Failures				Failure Events			
	Low	Medium	High	Total	A	B	C	Total
General	6	15	11	32	-	4	1	5
Car Parking	6	5	-	11	1	-	-	1
Non-Patient Catering	5	13	4	22	4	7	1	12
Patient Catering	4	7	3	14	-	20	8	28
Domestic	3	4	1	8	7	12	10	29
Estates	14	15	14	43	3	17	14	34
Grounds	9	9	1	19	-	-	-	-
Pest	-	1	2	3	1	1	-	2
Portering	-	2	2	4	12	7	11	30
Postal	2	1	-	3	3	7	-	10
Receipt & Distribution	3	4	-	7	2	4	-	6
Security	6	2	2	10	5	5	6	16
Telecoms	4	3	2	9	7	4	3	14
Linen	3	5	10	18	6	3	3	12
Waste	4	9	5	18	1	-	6	7
Helpdesk	2	10	2	14	-	-	-	-
Utilities Management	12	6	1	19	-	-	-	-

Lifecycle

Lifecycle is classified as either Minor or Major. We provide within the table below examples of Minor and Major Lifecycle Works:

Table 3: Examples of Minor and Major Lifecycle Works

Classification	Examples		
Minor	Lighting	Power	Internal Wall Finishes
	Internal Ceiling Finishes	Floor Coverings	Redecoration of Internal Doors
	Fixtures & Fittings	Pipework insulation	External Lighting
	Lightning Protection	Radiator Valve Replacement	Portable Fire Appliances
Major	Fire Alarms	Building Management System	Replacement of Internal Doors
	Replacement of Windows	Radiators and Pipework	Telephone Distribution
	Public Address System	Boilers	Lift Replacement
	IT Infrastructure	Refurbish External Walls	Windows

Minor Lifecycle

The FM Service Provider is responsible for carrying out the Minor Lifecycle Works. Project Co is to pay the Minor Lifecycle Costs into the Minor Lifecycle Account on a quarterly basis, with the FM Service Provider entitled to draw down monies from the Minor Lifecycle Amount in order to fund Minor Lifecycle Works.

In the event of insufficient funds within the Minor Lifecycle Account, the FM Service Provider is to meet the costs up to an additional 10% of the Minor Lifecycle Costs for the Contract Year. Any costs in excess of 110% of the planned spend for the Contract Year will be funded by Project Co. The FM Service Provider is entitled to request release of an amount equal to 10% of the Minor Lifecycle Costs for each year, where it has been identified there is a surplus of funds within the Minor Lifecycle Account.

Project Co retain the financial risk of the adequacy of the fund associated with Minor Lifecycle Works.

Major Lifecycle

Through Schedule 41 of the Revised Services Contract, Project Co is to commit 60% of the profiled spend for Major Lifecycle Work to the FM Service Provider.

Where the estimated cost is less than £25k (index linked), the FM Service Provider is to submit a specification, method statement, programme and scope of work. Once this has been approved by Project Co, the FM Service Provider is to progress with the works.

In the event of the FM Service Provider electing not to undertake Major Lifecycle Work which is in excess of £25k (index linked), Project Co may request the Major Lifecycle Works be tendered. The FM Service Provider is to manage the tender process on behalf of Project Co and will be paid a management fee for doing so.

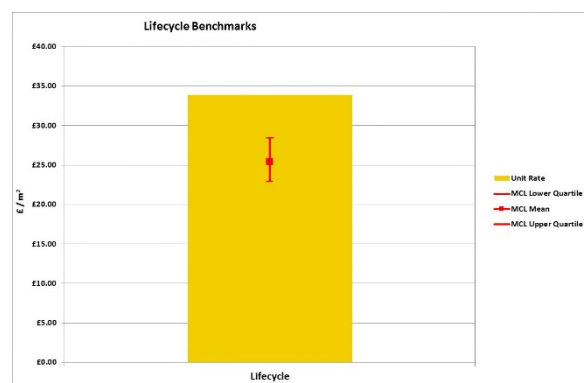
Each 5-year period, the FM Service Provider is to submit a report detailing the actual lifecycle spend against the Committed Lifecycle Profile. In the event of the actual spend being lower than the Committed Lifecycle Profile, then Project Co is to pay the FM Service Provider 2% of the difference. If the actual spend is higher, then the FM Service Provider is to pay Project Co 2% of the difference.

Project Co retain the financial risk of the adequacy of the fund associated with Major Lifecycle Works.

Lifecycle Benchmarking

We have undertaken a benchmarking review of the lifecycle costs against market comparator data which has been adjusted to reflect RPI at February 2020 prices and adjusted by a location factor to represent the South West region.

The adjacent graph shows that the Lifecycle unit rate sits significantly above the MCL Upper Quartile. As such, we consider the lifecycle cost to be above market expectations.



FM Pricing – Market Tested Services

We have undertaken a review to benchmark each annual service cost against the MCL benchmark comparator data. The scheme has a reported Gross Internal Floor Area (GIFA) of 149,113m². The in-patient beds that are provided meals are reported to be 1,010 (which is based upon 84% occupancy, with volume adjustments calculated within the monthly service fee), with the number of linen pieces reported at 2,550,000. The unit of measure will be on a £/m² basis unless otherwise specifically stated. All costs have been adjusted to reflect RPI at February 2020 prices and adjusted by a location factor to represent the South West region.

The table below shows the comparator data for the Market Tested Services:

Table 4: Comparator Data for Market Tested Services (£/m² basis)

Benchmarked Service	Unit Measure	QAH Unit Rate	MCL Lower Quartile	MCL Mean	MCL Upper Quartile
Domestics, inc. Housekeeping	£/m ²	£50.24	£43.88	£50.93	£58.13
Portering, inc. Post	£/m ²	£19.06	£18.56	£21.73	£25.05
Security & Car Parking	£/m ²	£7.61	£6.78	£7.88	£9.31
Telecommunications	£/m ²	£4.95	£5.48	£7.30	£9.65
Waste Management	£/m ²	£5.69	£2.87	£5.40	£7.74
TOTAL	£/m²	£87.55	£77.57	£93.24	£109.99

As can be seen from the above table, the costs for the QAH scheme sit between the Lower Quartile and Mean of the range. Overall, we are comfortable that a replacement provider could be found within the current cost envelope.

Table 5: Comparator Data for Market Tested Services (non £/m² basis)

Benchmarked Service	Unit Measure	QAH Unit Rate	MCL Lower Quartile	MCL Mean	MCL Upper Quartile
Patient & Non-Patient Catering	£/bed/day	£16.34	£8.96	£11.59	£14.44
Linen & Laundry	£/piece	£0.43	£0.43	£0.51	£0.60

We consider a replacement could be found within the cost envelopes for each of the above services.

FM Pricing – Non-Market Tested Services

The table below shows the comparator data for the Non-Market Tested Services:

Table 6: Comparator Data for Non-Market Tested Services

Non-Benchmarked Service	Unit Measure	QAH Unit Rate	MCL Lower Quartile	MCL Mean	MCL Upper Quartile
Estates Maintenance	£/m ²	£32.46	£37.89	£44.70	£50.19
Grounds Maintenance	£/m ²	£1.27	£0.88	£1.58	£2.22
Pest Control	£/m ²	£0.15	£0.37	£0.45	£0.56
Helpdesk	£/m ²	£2.76	£1.58	£2.74	£3.47
FM Management	£/m ²	£11.98	£7.32	£11.18	£15.44
TOTAL	£/m²	£48.62	£49.04	£60.65	£71.88

We consider the Estates Maintenance and Pest Control Services to be below market expectations, with the remainder of the Services sitting within the benchmark range.

Replacement Analysis

The FM Service Provider has a liability cap of 100% of the Service Provider Payment, plus Projected Third-Party Income plus Guaranteed Rental Income, with a Termination Cap of 200% of same.

In the event of a replacement being required, we anticipate a timescale of between 5-6 months to be conservative.

Our cost model indicates a possible replacement cost of 49.72% of the annual FM Service Payment, demonstrating the suitability of the liability/termination cap levels.

We are satisfied that the Service Level Specifications are deliverable and that the Payment Mechanism should not unduly penalise a properly performing provider.

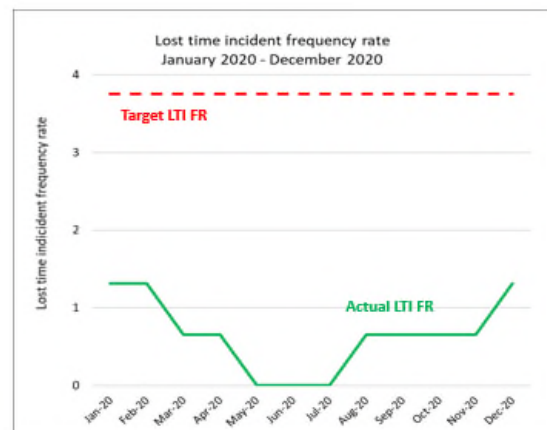
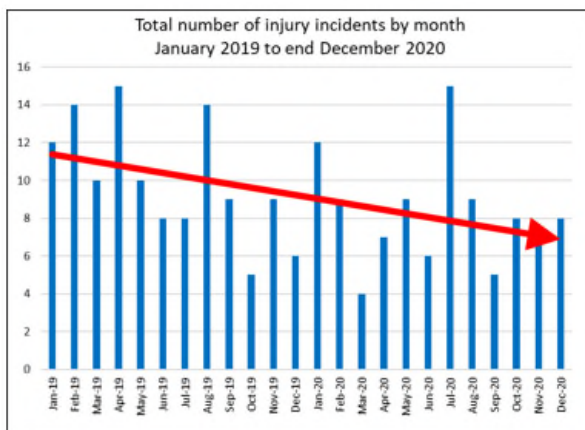
In a stable project, should a re-tendering be required, we consider that there would be a receptive market.

Utilities

Through Supplementary Agreement No 5, the parties have agreed a more simplified approach to the payment for utilities. A new Shared Benefit Model has also been introduced, which allows the parties to share the net benefit as a result of energy efficiency using the SHP system.

Health and Safety

The overall trend of health and safety incidents is on the decline (with a 17.5% reduction of minor injuries in 2020 compared to 2019).



The parties have been working well together during the COVID-19 pandemic. The service delivery has been very good, with the Trust publicly providing positive feedback on the service delivery during the unprecedented times.

During the COVID-19 pandemic, various measures were implemented, with certain additional costs being recharged back to the Trust, including:

- Treatment of clothing/bedding as Infectious: In accordance with the Government guidelines, the FM Service Provider has been treating all clothing and bedding as infectious waste (even after the patient has tested negative). In order to minimise potential risk to their staff, the FM Service Provider has restricted the number of staff involved in handling of waste;
- Domestic Services: The FM Service Provider has been undertaking an increased number of deep cleans. The FM Service Provider has in excess of 90 staff members who have been trained to respond to a COVID-19 clean. The FM Service Provider noted the Trust were

being supportive in their approach to task management, with mitigation provided on several tasks which would otherwise have failed;

- Portering Service: As a result of a Trust request for porters to remain with patients during scanning, this has led to several tasks taking a considerable period. As a result, the FM Service Provider has had to be supported by agency staff or cover the additional work with overtime. The additional costs, due to the change in practice, are being re-charged back to the Trust;
- Estates Service: The FM Service Provider supplemented their store supplies with increased numbers of commonly used spare parts. This was stored separately from the main supply to ensure that adequate stock levels could be maintained. Where wards are vacant, the FM Service Provider has been undertaking proactive maintenance activities to ensure that all elements, including lights, leaks and fabric are to a suitable standard;
- Cancellation of face to face training: All face to face training and evacuation drills were suspended during March 2020;
- Catering Services: A number of amendments were made to the Catering Service.
- Security Service: The FM Service Provider had to recruit additional staff, and also use sub-contract support, to ensure the security service was delivered to the required standard; and
- Receipt and Distribution Service: The Receipt and Distribution team were requested to open at weekends to assist with the stock deliveries being made throughout the period.

The FM Service Provider is certified to BS OHSAS 18001 for occupational health and safety management systems.

An independent remote desktop review of Health and Safety / Compliance Audit has been undertaken, with positive results against both the FM Service Provider and AMS. No items of non-compliance were raised against either party.

Environmental, Social and Governance – Project Co

Project Co is 100% owned by HICL Infrastructure PLC (HICL) who delegate the day to day management of the Company to InfraRed Capital Partners Limited (InfraRed).

HICL is an official Supporter of the Task Force on Climate-Related Financial Disclosures (TCFD). They have adopted the UN Sustainable Development Goals as a reporting framework.

In 2011, InfraRed became a signatory to the UN's Principles for Responsible Investment (PRI). During 2020, InfraRed achieved an A+ rating from PRI for the sixth consecutive year.

InfraRed is a certified Carbon Neutral company, which it has achieved by reducing its carbon emission-related activities including air travel and use of accredited offsetting schemes.

HICL remain committed, where possible, to reducing carbon emissions and focus on energy saving opportunities in their projects.

InfraRed undertake annual reviews of their projects to ensure the sustainability initiatives are being monitored. At the end of 2019, 87% of their projects were awarded either 4 or 5 stars.

By entering into Supplementary Agreement No 5, a commitment was made to consider solar energy generation. Project Co has instructed the FM Service Provider to draft a business case for the project. Tenders are also being sought for the project to replace all lighting with LED lighting. It is considered the project could realise a saving of up to 360 tonnes of carbon emissions with a reduction in energy costs of circa £240k per annum. This sees Project Co investing £3m with a recovery mechanism in place for future savings.

Project Co is also progressing water leakage investigation with the installation of water meters, linked to the Building Management System (BMS).

HICL undertake annual health and safety reviews of all projects to ensure appropriate policies and procedures are in place. HICL are supported by external consultants to audit the procedures.

HICL has been promoting various social initiatives including:

- Fund-raising of £28k through the annual InfraRed corporate dodgeball tournament. This helped to fund the CineGym facility at Queen Alexandra Hospital, Portsmouth to promote patient well-being;
- Supporting well-being of facility users through installation of new retail facilities; and
- Reducing cost for the NHS by introducing a new clinical waste processing system.

InfraRed has established the InfraRed Charitable Foundation, which has obtained Charitable Incorporated Organisation status from the Charities Commission.

The refurbishment of the on-site Costa Coffee and Amigo shop has recently completed which provides well-being benefits to the users.

Within their 2020 Sustainability Report, HICL have confirmed:

- 97% of portfolio companies reported using a risk register;
- 68% of portfolio companies reported making voluntary contributions to charitable or community activities;
- 95% and 94% of portfolio companies reported monitoring energy usage and water usage, respectively;
- 87%, 80% and 78% of portfolio companies reported having energy usage, water usage and waste reduction initiatives, respectively;
- 100% of portfolio companies providing operational services to and / or undertaking maintenance for public sector clients or, as in the case of toll roads and Affinity Water, end users reported having a health & safety policy;
- 97% having a cyber security policy;
- 90% having an ESG policy;
- 99% having an anti-bribery policy;
- 98% having a conflict of interests policy;
- 96% having an anti-discrimination policy;
- 97% having a whistle blower policy; and
- 97% having an anti-modern slavery related policy.

As at 30th September 2020, HICL had investments in 117 assets including:

- 42 Education projects;
- 32 Healthcare projects;
- 14 Fire, Law and Order projects;
- 16 transport projects;
- 9 accommodation projects; and
- 5 utilities projects.

The majority of the projects are based in the UK, however, there are also projects located in Ireland, France, Canada, the Netherlands and USA.

Environmental, Social and Governance – FM Service Provider

ENGIE's integrated management system is certified to ISO 14001. This governs their approach to identifying and reducing environmental impacts through their activities. They have made several Leadership Commitments within their Environment Policy associated with the minimisation of environmental impact and promotion of a positive environmental culture.

ENGIE has shared their ambition to become the world leader in zero-carbon transition with a target to achieve between 7% to 9% annual growth.

In line with the Service Level Specification, ENGIE has a responsibility to provide the Waste Management Service. Some of the key responsibilities of this Service include:

- Undertake annual reviews of the waste strategy with the Trust, making recommendations for improvements to the Service;
- Facilitate the segregation of Recyclable Waste; and
- Promote recycling of waste and waste reduction programmes in order to reduce costs and benefit the environment.

Throughout 2020, on the project, ENGIE have managed to recycle in excess of 463 tonnes, which equates to greater than 20% of the total waste volume.

ENGIE has introduced high-risk monitoring activities to ensure they have a comprehensive understanding of the Responsible Business and Safety, Health, Environment and Quality risk. This has included the introduction of a new Safety, Health, Environment and Quality IT platform which allows their Directors to undertake detailed reviews of the recorded data.

ENGIE has been focusing on health and wellbeing, with training on mental health awareness taking place along with the establishment of a health and wellbeing strategy.

ENGIE's social responsibility policy is structured into 4 priority action areas: Diversity; Inclusion in the place of work; Quality of life in the workplace; and Social relationships and solidarity initiatives.

ENGIE has established a new Responsible Business Charter, which ensures that they make commitments in the areas of fair business growth, transparency and accountability, being a fair employer and supporting communities and the environment. They have launched the Responsible Business Development Initiative, which aims to deliver a range of initiatives focused on reinvesting in their supply chain to create positive community impacts.

In 2019, ENGIE invested in excess of £1m in community investment, with 14,000 volunteering hours, raising of £140k for chosen charities and investment of £220k into community funds.

ENGIE Services Limited are currently involved in the delivery of Facilities Management services across various healthcare PFI projects within the UK. These includes the Queen Elizabeth Hospital, Birmingham and St James's University Hospital, Leeds.

ENGIE undertake their activities in line with the ENGIE Group's Ethics Charter, policies and codes of conduct which includes a zero tolerance for any form of corruption and provides for guidelines in supplier relationships, conflicts of interest, gifts and hospitality.

Insurance

Project Co is required to procure and maintain insurances, as set out within the Project Agreement. From our review of the levels of cover, noted within the Contracts of Insurance, we consider these to be appropriate.

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