



Ministry of Housing,  
Communities &  
Local Government

**Saltaire Finance**

## **SALTAIRE FINANCE PLC**

*(incorporated with limited liability in England and Wales with registration number 12967182)*

**£3,000,000,000**

### **Guaranteed Secured Bond Programme**

unconditionally and irrevocably guaranteed by

#### **THE SECRETARY OF STATE FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT**

Under this £3,000,000,000 Guaranteed Secured Bond Programme (the **Programme**), Saltaire Finance plc (the **Issuer**) may from time to time issue bonds (the **Bonds**) as agreed between the Issuer, the relevant Dealer (as defined below) and the Guarantor (as defined below).

The maximum aggregate nominal amount of all Bonds to be issued under the Programme will not exceed £3,000,000,000 or such greater amount (up to a maximum aggregate nominal amount not exceeding £6,000,000,000) as the Guarantor may, in its sole discretion, consent to.

The Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the **relevant Dealer** shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Bonds.

The Secretary of State for Housing, Communities and Local Government (the **Guarantor**) will issue an unconditional and irrevocable guarantee (the **Bond Guarantee**) of the Issuer's obligations in respect of the scheduled payments of principal and interest in respect of each issue of Bonds pursuant to the terms of a concession agreement dated 16th October, 2020 (as modified and/or supplemented and/or restated, the **Concession Agreement**) entered into between the Guarantor and Saltaire Housing Ltd (the **Concessionaire**), granting a concession to the Concessionaire for the management and delivery of the new Affordable Homes Guarantee Scheme of the Guarantor.

The net proceeds from each issue of the Bonds will be advanced by the Issuer to Approved Borrowers (as defined in the Concession Agreement) pursuant to Loan Agreements (as defined in the Concession Agreement) between the Issuer and each Approved Borrower.

This Programme Memorandum does not constitute a base prospectus for the purpose of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The UK Prospectus Regulation does not apply to this Programme Memorandum pursuant to Article 1(2)(d) thereof.

Application will be made to the Financial Conduct Authority (the **FCA**) in its capacity as competent authority for Bonds issued under the Programme to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Bonds to be admitted to trading on the London Stock Exchange's main market. The London Stock Exchange's main market is a UK

regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

Notice of the aggregate nominal amount of Bonds, the interest payable in respect of Bonds, the issue price of Bonds and certain other information which is applicable to each Tranche (as defined under "*Conditions of the Bonds*") of Bonds will be set out in a pricing supplement document (the **Pricing Supplement**). Copies of Pricing Supplements in relation to Bonds to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Guarantor has been rated "Aa3" by Moody's Investors Service Limited (**Moody's**). The Programme has been rated "Aa3" by Moody's. Bonds issued under the Programme are expected to be rated "Aa3" by Moody's. Such rating will be disclosed in the Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**An investment in Bonds issued under the Programme involves certain risks. For a discussion of these risks see "*Investment Considerations*".**

**Arranger**

**NATWEST MARKETS**

**Dealers**

**HSBC**

**NATWEST MARKETS**

**RBC CAPITAL MARKETS**

The date of this Programme Memorandum is 9th June, 2021.

The Issuer accepts responsibility for the information contained in this Programme Memorandum and the Pricing Supplement for each Tranche of Bonds issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained in the section "*Description of the Guarantor*" has been obtained solely from publicly available information. The Guarantor has neither reviewed this Programme Memorandum nor verified the information contained in it, and the Guarantor makes no representation, warranty or undertaking, express or implied, with respect to, and does not accept any responsibility or liability for, the contents of this Programme Memorandum or any other statement made or purported to be made on its behalf in connection with the Issuer or the issue or offering of the Bonds or their distribution. The Guarantor accordingly disclaims any and all liability, whether arising in contract, tort or otherwise which it might otherwise have in respect of this Programme Memorandum or any such statement.

Neither the Dealers nor the Trustee (as defined below) have independently verified (a) the information contained herein or (b) any matter which is the subject of any statement, representation, warranty or covenant of the Issuer or the Guarantor contained in the Bonds or any document relating to the Programme. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to (a) the accuracy or completeness of the information contained or incorporated in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme, (b) any acts or omissions of the Issuer or the Guarantor or any other person in connection with the Programme or (c) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Bonds or any other agreement or document relating to any Bonds or the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme or the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme or any Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers or the Trustee that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme or any Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Programme Memorandum nor any other information supplied in connection with the Programme or the issue of any Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Programme Memorandum nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Bonds of any information coming to their attention.

If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Dealer or any parent company or affiliate of a Dealer is a licensed broker or dealer in such jurisdiction, the offering shall be deemed to be made by such Dealer or such parent company or affiliate on behalf of the Issuer in such jurisdiction.

**IMPORTANT – 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 Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, 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.

**MiFID II product governance / target market** – The Pricing Supplement in respect of any Bonds will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Bonds about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Bonds is a manufacturer in respect of such Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market** – The Pricing Supplement in respect of any Bonds will include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Bonds is a manufacturer in respect of such Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

This Programme Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Programme Memorandum and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Programme Memorandum may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable

laws and regulations. Persons into whose possession this Programme Memorandum or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Programme Memorandum and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of Bonds in the United States, Singapore, Republic of Korea, Hong Kong, Japan and the United Kingdom and a prohibition in respect of the offer or sale of Bonds to EEA retail investors (see "*Subscription and Sale*").

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE**

In connection with Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), unless otherwise specified before an offer of Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **SUITABILITY OF INVESTMENT**

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has 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 Programme Memorandum or any applicable supplement;
- (ii) has 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 the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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 (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal

advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

In this Programme Memorandum, all references to **Sterling** and **£** refer to pounds sterling.

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF BONDS, THE DEALER OR DEALERS (IF ANY) ACTING AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS 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 RELEVANT TRANCHE OF 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 DATE OF THE RELEVANT TRANCHE OF BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## CONTENTS

Clause	Page
Overview of the Programme .....	8
Use of Proceeds .....	14
Description of the Affordable Homes Guarantee Scheme .....	15
Description of the Bond Guarantee Arrangements.....	18
Form of Bond Guarantee .....	20
Investment Considerations .....	40
Form of the Bonds.....	47
Conditions of the Bonds .....	49
Description of the Issuer.....	84
Description of the Guarantor .....	86
Taxation.....	87
Subscription and Sale .....	89
General Information .....	93

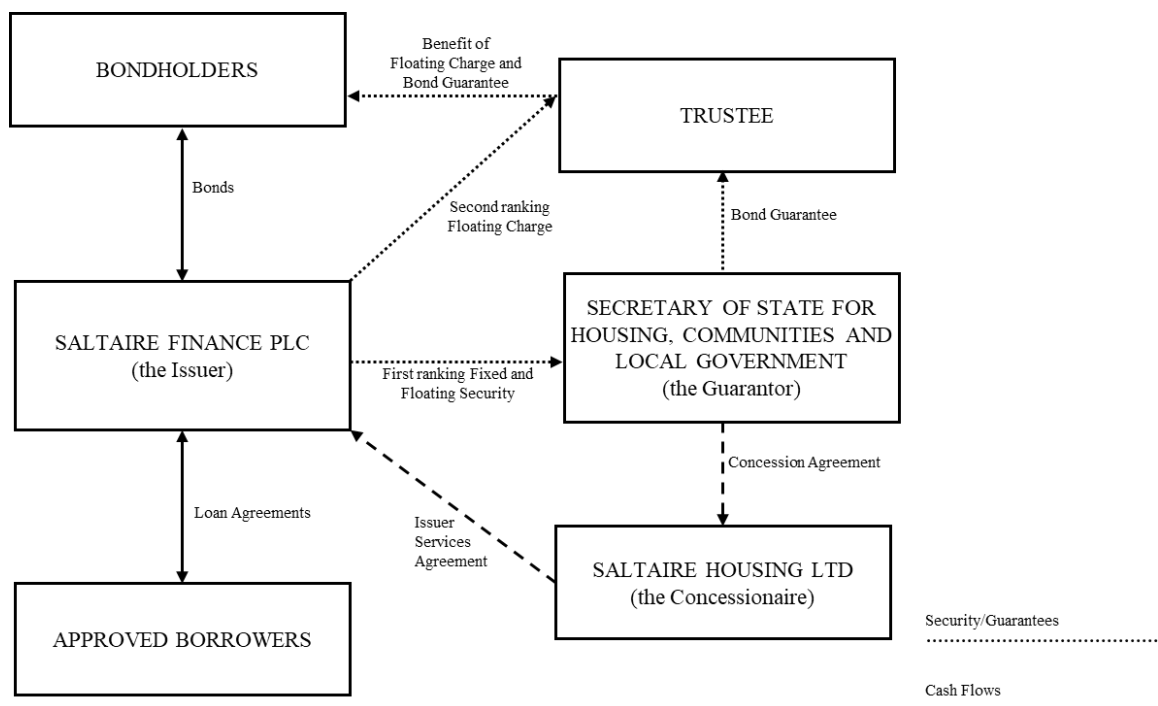
## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the terms and conditions of any particular Tranche of Bonds, the applicable Pricing Supplement.*

Words and expressions defined in "Form of the Bonds" and "Conditions of the Bonds" shall have the same meanings in this Overview.

### DIAGRAM OF PRINCIPAL CASH FLOWS

The diagram below depicts the main features of the structure of the Programme as a whole and its principal cash flows.



### THE PROGRAMME

Issuer:	Saltaire Finance plc.
Issuer Legal Entity Identifier (LEI):	2138005HL904VFW2HY47.
Guarantor:	The Secretary of State for Housing, Communities and Local Government.
Use of Proceeds:	The net proceeds of each issue of the Bonds will be lent to Approved Borrowers pursuant to Loan Agreements to be applied to support the delivery of affordable homes in England, in accordance with the Affordable Homes Guarantee Scheme.
Programme Size:	£3,000,000,000 or such greater amount (up to a maximum aggregate nominal amount not exceeding £6,000,000,000) as the Guarantor may, in its sole discretion, consent to.
Issue Price:	Bonds will be issued on a fully-paid basis at an issue price which



is at par or at a discount to, or premium over, par.

Form of Bonds: The Bonds will be issued in bearer form as described in "*Form of the Bonds*".

Status of the Bonds: The Bonds will constitute direct and unconditional obligations of the Issuer, will be secured by a second ranking floating charge granted by the Issuer and will rank *pari passu* among themselves.

Bond Guarantee: The payment of Scheduled Principal and Scheduled Interest in respect of the Bonds will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Bond Guarantee.

Denomination: The Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer.

Currency: The Bonds will be issued in Sterling.

Maturities: The Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer.

Where "Expected Maturity Date" and "Legal Maturity Date" are specified as applicable in the applicable Pricing Supplement, the Bonds will be scheduled to be redeemed on the Expected Maturity Date specified in the applicable Pricing Supplement. However, if and to the extent that insufficient funds are available to the Issuer to make redemption in full on the Expected Maturity Date, the redemption of the Bonds will be postponed to a date not later than the Legal Maturity Date specified in the applicable Pricing Supplement.

Fixed Rate Bonds: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Bonds: Floating Rate Bonds will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in Sterling governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable Pricing Supplement.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Bonds.

Floating Rate Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined for Floating Rate Bonds, on the occurrence of a Benchmark Event as determined by the Issuer the Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser that may (subject to certain conditions and following consultation with the Issuer and the Guarantor) determine a Successor Rate, failing which an Alternative Reference Rate and, in either case, an Adjustment Spread and (subject to the approval of the Guarantor) Benchmark Amendments (if any) no later than the IA Determination Cut-off Date in accordance with Condition 8.2(c) (*Benchmark Replacement*).

Early Redemption:

As described further in Condition 10.3 (*Early Redemption*), each Series of Bonds may be redeemed early, in whole or in part, following receipt by the Issuer of a prepayment pursuant to an Associated Loan Agreement (provided, in the case of a Default Redemption only, that the Issuer has also received a Default Redemption Instruction from the Guarantor). Any such redemption shall (unless otherwise specified in the applicable Pricing Supplement) be:

(a) upon an Optional Redemption or a Default Redemption in the case of Fixed Rate Bonds, in an amount calculated by reference to the yield on the relevant outstanding United Kingdom government benchmark gilt having the nearest maturity (or average maturity in the case of Instalment Bonds) to that of the Bonds; and

(b) otherwise, at par,

in each case, plus accrued interest.

Final/Instalment Redemption:

The applicable Pricing Supplement will specify whether the Bonds are Instalment Bonds.

In respect of Bonds other than Instalment Bonds, the Bonds will be redeemed at par on the date specified in the applicable Pricing Supplement as the Maturity Date or, where “Expected Maturity Date” and “Legal Maturity Date” are specified as applicable in the applicable Pricing Supplement, the Expected Maturity Date specified in the applicable Pricing Supplement (or, where insufficient funds are available to the Issuer to make redemption in full on the Expected Maturity Date, on a date not later than the Legal Maturity Date specified in the Pricing Supplement).

In respect of Instalment Bonds, the applicable Pricing

Supplement will specify the Instalment Dates on which the Bonds will be redeemed and the Instalment Amounts payable on each such date.

Guarantor Accelerated Payments

As described further in Condition 10.7 (*Guarantor Accelerated Payments*), the Guarantor may at any time by giving no less than 15 Business Days' notice to the Trustee and the Issuer (with a copy to the Cash Manager) elect at its sole option that the Issuer shall redeem all or some only of the Bonds at the price described in Condition 10.7 with the obligation to pay the relevant redemption amount being an obligation of the Guarantor alone and constituting an Accelerated Payment.

Security:

The Issuer's obligations in respect of all Series of Bonds are secured by a second ranking floating charge on the whole of the Issuer's undertaking, property and assets in favour of the Trustee. Pursuant to the Subordination Deed, such second ranking floating charge will rank subordinate to the first ranking Guarantor Security.

Guarantor Controlling Rights:

In relation to any matter other than a Bondholder Entrenched Right, provided that no Guarantor Trigger Event has occurred and is continuing, the Guarantor shall have the right to direct the Trustee in writing in respect of all matters relating to the Conditions, the Trust Deed and the other Programme Documents to the exclusion of any equivalent right of the Bondholders or any other person.

A Guarantor Trigger Event includes non-payment by the Guarantor when required under the Bond Guarantee, a failure by the Guarantor to make an Accelerated Payment and the Bond Guarantee ceasing to be, or being claimed by the Issuer or the Guarantor not to be, in full force and effect other than in circumstances where it has been replaced by an equivalent guarantee.

References to the Bond Guarantee in the definition of Guarantor Trigger Event shall mean any Bond Guarantee in respect of any Tranche of Bonds (forming part of any Series of Bonds).

A Guarantor Trigger Event is continuing if any of the events described above have occurred and have not been waived by an Extraordinary Resolution of the Bondholders of the relevant Series, provided that, in the case of non-payment by the Guarantor when required under the Bond Guarantee or of an Accelerated Payment, such non-payment has continued for a period of 10 days in respect of Scheduled Principal or for a period of 14 days in respect of Scheduled Interest and has not been waived by an Extraordinary Resolution of the Bondholders of the relevant Series.

Taxation:

All payments in respect of the Bonds will be made without withholding or deduction for or on account of any present or future Taxes as provided in Condition 11 (*Taxation*), unless required by law. In the event that any such withholding or

deduction is made in relation to payments by the Issuer, neither the Issuer nor the Guarantor will be obliged to make any additional payments in respect of the Bonds in respect of such withholding or deduction, and any such withholding or deduction will not constitute an Event of Default under Condition 13 (*Events of Default*) or give rise to a right to claim under the Bond Guarantee. In the event that any such withholding or deduction is made in relation to payments by the Guarantor under the Bond Guarantee (including any Accelerated Payment), the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.

Retained Bonds:

On the Issue Date in respect of each Tranche of Bonds, the Issuer may, if specified in the applicable Pricing Supplement, purchase Bonds from the Dealers.

The Issuer may sell or otherwise dispose of all or some of the Retained Bonds in the market by private treaty at any time (including, without limitation, on a deferred settlement basis). Upon the sale of all or part of the Retained Bonds, the Issuer will use the proceeds of such sale for on-lending to Approved Borrowers.

Until sold or otherwise disposed of, the Retained Bonds will be held by the Custodian pursuant to the Retained Bond Custody Agreement.

Rating:

The Guarantor has been rated Aa3 by Moody's. The Programme has been rated Aa3 by Moody's. Bonds issued under the Programme are expected to be rated Aa3 by Moody's. Such rating will be disclosed in the Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing:

Application will be made for each Tranche of Bonds issued under the Programme to be listed on the London Stock Exchange.

Governing Law:

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Bonds in the United States, Singapore, Republic of Korea, Hong Kong, Japan and the United Kingdom and a prohibition in respect of the offer or sale of Bonds to EEA retail investors. The Bonds are subject to such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Bonds. See "*Subscription and Sale*".

Distribution:

Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Arranger:

NatWest Markets Plc

Dealers: HSBC Bank plc  
NatWest Markets Plc  
RBC Europe Limited

and any other Dealers appointed in accordance with the Programme Agreement.

Trustee: BNY Mellon Corporate Trustee Services Limited

Agent: The Bank of New York Mellon, London Branch

Account Bank: The Bank of New York Mellon, London Branch

Cash Manager: The Bank of New York Mellon, London Branch

Custodian: The Bank of New York Mellon, London Branch

Corporate Services Provider: Intertrust Management Limited

## **USE OF PROCEEDS**

The net proceeds of each issue of the Bonds will be lent to Approved Borrowers pursuant to Loan Agreements to be applied to support the delivery of affordable homes in England, in accordance with the Affordable Homes Guarantee Scheme.

## DESCRIPTION OF THE AFFORDABLE HOMES GUARANTEE SCHEME

On 13th March, 2019, the Chancellor announced in his Spring Statement a new Affordable Homes Guarantee Scheme, whereby the Ministry of Housing, Communities and Local Government (**MHCLG**) will guarantee up to £3,000,000,000 of borrowing by Private Registered Providers in England to support the delivery of affordable homes in England.

Pursuant to a concession agreement dated 16th October, 2020 and entered into between The Secretary of State for Housing, Communities and Local Government and Saltaire Housing Ltd (the **Concession Agreement**), The Secretary of State for Housing, Communities and Local Government granted a concession to Saltaire Housing Ltd (the **Concessionaire**) for the management and delivery of the Affordable Homes Guarantee Scheme. In accordance with the terms of the Concession Agreement, The Secretary of State for Housing, Communities and Local Government will guarantee the payment of scheduled principal and interest in respect of debt raised by the Issuer under the Affordable Homes Guarantee Scheme.

### **Affordable Homes Guarantee Scheme Rules**

The Guarantor has published the rules which apply to the Affordable Homes Guarantee Scheme (the **Rules**). The Rules establish the nature of the projects to be supported pursuant to the scheme, the security to be provided by Approved Borrowers who are able to access funding procured via the Affordable Homes Guarantee Scheme, the recourse nature of the borrowings, covenants, undertakings, documentation and process.

The Rules in effect as at the date of this Programme Memorandum are set out below. However, in accordance with their terms, the Rules may be changed by the Guarantor at any time.

#### 1. *Eligibility*

- 1.1 AHGS 2020 will only support proposals that will deliver new-build affordable homes including those in existing affordable housing grant programmes (subject to not having started on site at the point of application).
- 1.2 AHGS 2020 will support the delivery of additional affordable housing in development pipelines, subject to all other scheme eligibility criteria being met.
- 1.3 Prospective borrowers may also, where applicable, apply for assistance for other affordable homes products (such as the Affordable Homes Programme 2021-2026). Eligibility for the loans will be assessed on the merits of each application irrespective of whether any parallel grant application has been, or is, successful. Where grant or other subsidy is provided to support delivery of any element of the proposal, then the loans will only be available for up to the net debt required to finance that element, subject to State aid requirements or any successor regime.
- 1.4 Affordable homes products that will be eligible for both loan security and selected Approved Pipeline Schemes are Affordable Rent and affordable home ownership, plus Social Rent in line with the eligibility requirements under the Affordable Homes Programme 2021-2026, or any successor scheme.
- 1.5 Minimum size of proposal: total debt requirement to be not less than £5m.

- 1.6 Affordable housing assets used for either loan security or selected Approved Pipeline Schemes must be used for Affordable Rent, affordable home ownership (subject to future staircasing) or Social Rent for the period of the loan.
- 1.7 Loans will be available either in full or where appropriate in tranches within a prescribed availability period. Borrowers must undertake to have commenced construction of each Approved Pipeline Scheme in respect of which an advance has been made within 24 months of the relevant drawdown date.
- 1.8 Homes delivered must be in England only.
- 1.9 Borrowers will need to be Private Registered Providers as defined in Section 80(3) of the Housing and Regeneration Act 2008.

## 2. *Security and recourse*

- 2.1 The lender will, as a minimum, have the benefit of a first ranking legal mortgage over the existing affordable housing assets that the loan is secured upon.
- 2.2 The property security value must be a minimum 105% on an EUV-SH basis and a minimum of 115% on an MVSTT basis, and must be evidenced by a professional valuation addressed for the benefit of the lender and MHCLG.
- 2.3 There will be annual desktop valuations and five-yearly full valuations, or more frequently subject to market conditions
- 2.4 Security release will be permitted when asset cover exceeds 115% as evidenced by professional valuation on an EUV-SH basis or 125% on an MVSTT basis.
- 2.5 The lender will have full recourse to the borrower for any shortfall resulting from recovery following an enforcement on security.

## 3. *Fees and costs*

- 3.1 Approved borrowers will be required to meet the arrangement costs for facilitating the loan; this may be paid from loan proceeds.
- 3.2 Approved borrowers will be required to pay an ongoing management fee to cover the administration costs of managing and monitoring the facility. All borrowers will be required to pay the same ongoing percentage management fee.
- 3.3 Approved Borrowers may be required to pay additional fees in certain circumstances.

## 4. *Covenants*

- 4.1 A minimum borrower corporate interest cover ratio of 1.0x at all times will be maintained.
- 4.2 Other covenants may be required depending on the characteristics of individual borrowings.
- 4.3 Monitoring reports will have to be provided by approved borrowers.

## 5. *Application*

- 5.1 Borrowers will be required to complete a standard application which will detail the information required to support the application. This will be available from the lender at [ahgs@ara-venn.com](mailto:ahgs@ara-venn.com).



- 5.2 All applications will be subject to full due diligence and approval prior to any funding under the scheme being provided. Any such funding will be at the complete discretion of MHCLG. No offer or commitment to provide a funding under AHGS 2020 is implied by the publication of these scheme rules. MHCLG reserves the right to amend the scheme rules at any time.

## DESCRIPTION OF THE BOND GUARANTEE ARRANGEMENTS

*The following description of the Bond Guarantee consists of a summary of certain provisions of the Bond Guarantee and is subject to the detailed provisions thereof, the full form of which is set out below in "Form of Bond Guarantee".*

*Terms used in this section but not otherwise defined in this Programme Memorandum have the meanings given to them in the Bond Guarantee.*

### **Guarantee**

The Bond Guarantee is an unconditional and irrevocable guarantee given by The Secretary of State for Housing, Communities and Local Government to the Trustee for the benefit of the holders of the Guaranteed Bonds in relation to the due and punctual performance by the Issuer of the Guaranteed Obligations.

### **Guaranteed Obligations**

Pursuant to the Bond Guarantee the Guarantor guarantees all Guaranteed Obligations. Guaranteed Obligations is defined to mean the payment obligations of the Issuer in respect of the Guaranteed Amounts. Guaranteed Amounts is defined to mean the sum of all Scheduled Interest and Scheduled Principal, being interest and principal payable by the Issuer to the holders of the Guaranteed Bonds or to the Trustee for the benefit of such holders under the Guaranteed Bonds (as may be adjusted in accordance with the terms of the Guaranteed Bonds, but excluding any amendments that are not approved by the Guarantor in writing and disregarding any default interest, indemnity payments or prepayment or early redemption penalties). Guaranteed Bonds is defined as any Bonds issued under the Programme in respect of which the Guarantor has, in its sole discretion, issued a Guarantee Certificate (being a certificate confirming that a Tranche of Bonds issued under the Programme will benefit from the guarantee under the Bond Guarantee).

### **Demand and Payment**

Pursuant to the Trust Deed and the Agency Agreement:

- (a) the Issuer (or the Cash Manager on its behalf) shall, not later than 10:00 a.m. on the fifth Guarantor Business Day prior to each Interest Payment Date, give to the Trustee, the Agent and the Guarantor a notice that (i) it has sufficient funds to make payment of all amounts due to Bondholders on the immediately following Interest Payment Date or (ii) there will be a shortfall in respect of such amounts and the amount of any such shortfall (the latter being, a **Notice of Shortfall**); and
- (b) upon receipt of a Notice of Shortfall from the Issuer (or the Cash Manager on its behalf) (or otherwise upon receipt of a notice from the Agent to the same effect), the Trustee shall issue a Notice of Demand (as defined in the Bond Guarantee) to the Guarantor in accordance with the Bond Guarantee requiring the Guarantor to make payment (in an amount equal to the amount stated in the Notice of Shortfall) to an account of the Agent specified by the Trustee.

In accordance with clause 5.1 of the Bond Guarantee, the Guarantor shall, following Receipt by the Guarantor of a duly completed Notice of Demand, make payments in respect of Guaranteed Amounts by 4:00 p.m. (London time) on (i) the fourth Guarantor Business Day following such Receipt or, if later, (ii) the Guarantor Business Day prior to the date upon which such Guaranteed Amounts fall due for payment pursuant to the Bonds, the Receipts, the Coupons or the Trust Deed. For the purposes of this paragraph, **Guarantor Business Day** means a Business Day, as defined in the Bond Guarantee.

All payments under the Bond Guarantee (including any Accelerated Payments) will be made without withholding or deduction for or on account of any United Kingdom Taxes, unless required by law, in which

case the Guarantor will, save in limited circumstances, be required to pay additional amounts to cover the amounts so deducted from amounts due under the Bond Guarantee (including Accelerated Payments).

### **Accelerated Payments**

The Guarantor may at any time by giving no less than 15 Business Days' notice to the Trustee and the Issuer (with a copy to the Cash Manager) elect at its sole option that the Issuer shall redeem all or some only of the Bonds at the amount described in Condition 10.7 (*Guarantor Accelerated Payments*). The obligation to pay the relevant redemption amount shall be an obligation of the Guarantor alone and constitute an Accelerated Payment.

**FORM OF BOND GUARANTEE**

DATED [●]

**SECRETARY OF STATE FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT**

as Guarantor

and

**BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**

as Bond Trustee

**DEED OF GUARANTEE**

in respect of

the £3,000,000,000 Guaranteed Secured Bond Programme

for the issue of bonds by Saltaire Finance plc

DATED [●]

## PARTIES

- (1) **SECRETARY OF STATE FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT** of 2 Marsham Street, London SW1P 4DF as guarantor (the “**Guarantor**”); and
- (2) **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**, incorporated in England and Wales with company number 2631386 whose registered office is at One Canada Square, London E14 5AL as trustee for the Bondholders (the “**Bond Trustee**”, such term to include any additional or successor trustee appointed pursuant to the Bond Trust Deed and notified to the Guarantor).

## BACKGROUND

On 16 October 2020, the Guarantor granted a concession (the “**Concession**”) to Saltaire Housing Ltd (the “**Concessionaire**”) for the management and delivery of the Affordable Homes Guarantee Scheme 2020 (the “**Scheme**”).

The Concessionaire shall manage and deliver the Scheme by, inter alia, procuring that the Issuer, Saltaire Finance plc (the “**Issuer**”), shall from time to time issue bonds for the sole purpose of on-lending the proceeds thereof to approved borrowers under the Scheme (including, without limitation, by applying amounts to reserves and in respect of certain fees).

The Issuer has published a programme memorandum in respect of a £3,000,000,000 guaranteed secured bond programme for the issue of bonds by the Issuer of a maximum aggregate nominal amount not exceeding £3,000,000,000 or such greater amount (up to a maximum aggregate nominal amount not exceeding £6,000,000,000) as the Guarantor may, at its sole discretion, consent to (the “**Programme**”).

Pursuant to the Scheme, the Issuer has requested the Guarantor to provide this guarantee to the Bond Trustee of liabilities of the Issuer under the Guaranteed Bonds.

## OPERATIVE PROVISIONS

### 1. INTERPRETATION

#### 1.1 Definitions

In this Deed:

“**Accelerated Payment**” means any payment of any Guaranteed Amount in advance of the Due Date for such Guaranteed Amount (whether by way of prepayment of any Guaranteed Amount or otherwise) made by the Guarantor at the Guarantor’s sole option and in accordance with this Deed and Condition 10.7 of the Guaranteed Bonds, such payment to be calculated in accordance with Condition 10.7 of the Guaranteed Bonds.

“**Accelerated Payment Date**” means any date on which the Guarantor makes an Accelerated Payment.

“**Account**” means, in respect of any payment made by the Guarantor pursuant to this Deed, on:

- (a) a Due Date, the bank account specified in the relevant Notice of Demand; and
- (b) an Accelerated Payment Date, the bank account notified by the Bond Trustee to the Guarantor in writing at least one Business Day prior to the Accelerated Payment Date.

“**Affected Guaranteed Obligations**” means those Guaranteed Obligations (identified in the relevant Notice of Demand) in respect of which a Non-payment has occurred or will occur, as specified in the relevant Notice of Demand.

“**Avoided Payment Amounts**” has the meaning given to it in Clause 2.2 (*Avoided Payment Amounts*).

“**Bond Trust Deed**” means the bond trust deed dated on or about the date of this Deed between the Issuer and the Bond Trustee constituting the Guaranteed Bonds (as modified or supplemented from time to time with the Guarantor’s consent).

“**Bondholders**” means the several persons who are for the time being holders of the Guaranteed Bonds (which, to the extent that the Guaranteed Bonds are represented by a global bond held by a common depository or common safekeeper for Euroclear and/or Clearstream, Luxembourg, shall include the beneficial owners of the Guaranteed Bonds in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg).

“**Business Day**” means any day on which banks and other financial institutions are open for business in London, but excluding:

- (a) Saturdays, Sundays and public and statutory holidays in England and Wales; and
- (b) Privilege Days notified by the Guarantor to the Bond Trustee at least ten Business Days in advance.

“**Costs and Expenses**” means costs, charges, losses, liabilities, expenses and other sums (including legal, accountants’ and other professional fees) and any Taxes thereon.

“**Due Date**” means, in respect of any Guaranteed Amount, the originally scheduled date upon which such Guaranteed Amount falls Due for Payment pursuant to the Guaranteed Bonds and excludes any amendments to the Guaranteed Bonds that are not approved by the Guarantor in writing.

“**Due for Payment**” means in relation to any Guaranteed Amount, that the Due Date for such Guaranteed Amount has been reached. 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 Obligations by reason of prepayment (whether mandatory or optional), acceleration of maturity or otherwise.

“**Final Release Date**” means the date on which all the payment obligations of the Issuer under the Guaranteed Bonds are irrevocably and unconditionally satisfied in full.

**“Guarantee Certificate”** means a certificate in the form set out in Schedule 2 (*Form of Guarantee Certificate*) (or in such other form as the Guarantor, the Bond Trustee and the Issuer may agree from time to time) and duly executed by the Guarantor confirming that a tranche of bonds issued under the Programme are Guaranteed Bonds for the purposes of this Deed. For the avoidance of doubt, any certificate or other confirmation of guarantee issued by the Guarantor in respect of any bonds issued under the Programme which is not made in the form set out in 0 (*Form of Guarantee Certificate*) (or in such other form as the Guarantor, the Bond Trustee and the Issuer may agree from time to time) shall be void.

**“Guaranteed Amounts”** means, with respect to any Due Date, the sum of (without double counting) Scheduled Interest and Scheduled Principal.

**“Guaranteed Bonds”** means any bonds issued under the Programme in respect of which the Guarantor has issued a Guarantee Certificate, and (where the context permits) shall include the Bond Trust Deed to the extent that it relates to such bonds and, to the extent that such bonds are represented in definitive form, shall include the principal receipts (if any) and the interest coupons appertaining thereto. For the avoidance of doubt, the Guarantor shall have absolute discretion as to whether to issue a Guarantee Certificate in respect of any bonds issued or to be issued under the Programme and any bonds issued under the Programme in respect of which a Guarantee Certificate has not been issued shall not benefit from the guarantee under this Deed.

**“Guaranteed Obligations”** means the payment obligations of the Issuer in respect of the Guaranteed Amounts owing by the Issuer and outstanding under the Guaranteed Bonds from the date of this Deed to the Final Release Date.

**“Insolvency Act”** means the Insolvency Act 1986 of the United Kingdom (as amended, varied, replaced or supplemented from time to time by any Insolvency Law).

**“Insolvency Law”** means any applicable United Kingdom bankruptcy or insolvency law (including, for the avoidance of doubt, the Insolvency Act).

**“Issuer”** means the issuer of the Guaranteed Bonds.

**“Issuer Guarantor Fees”** means the guarantee fees payable by the Issuer as specified in the fee letter dated on or about the date of this Deed between the Guarantor and the Issuer.

**“Non-payment”** means, as of any Due Date, the failure of the Issuer to have paid to the Bond Trustee, the relevant paying agent or the Bondholders any Guaranteed Amounts which are due on such Due Date (or which would have been due on such Due Date but for such Guaranteed Amounts having become due prior to such Due Date by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise).

**“Notice of Demand”** means a notice of demand in writing, in the form set out in 0 (*Form of Notice of Demand*) (or in such other form as the Guarantor and the Bond Trustee may agree from time to time) and duly executed by the Bond Trustee. For the avoidance of doubt, a demand for payment by the Bond Trustee under this Deed which is not made in the form set out in 0 (*Form of Notice of Demand*) (or in such

other form as the Guarantor and the Bond Trustee may agree from time to time) shall be void.

**“Preference”** means:

- (a) a preference pursuant to Section 239 of the Insolvency Act;
- (b) an avoidance of any property disposition pursuant to Section 127 of the Insolvency Act; or
- (c) a transaction at an undervalue pursuant to Section 238 of the Insolvency Act; or
- (d) any analogous judgment, declaration, decision or similar pursuant to any Insolvency Law.

**“Principal Paying Agent”** means The Bank of New York Mellon, London Branch as principal paying agent in respect of the Guaranteed Bonds, or any successor or replacement therefor appointed in accordance with the terms of the Guaranteed Bonds and notified to the Guarantor.

**“Privilege Day”** means the Friday before and the Tuesday after the Spring Bank Holiday in England and Wales, and any other day designated from time to time (in whole or in part) as a privilege day (being an additional non-working day) for United Kingdom civil servants generally.

**“Programme”** has the meaning given to that term in paragraph (C) of the Recitals.

**“Receipt”** means:

- (a) actual delivery to the Guarantor at the address specified in the form of Notice of Demand in the Schedule (or such other address as the Guarantor may, from time to time, notify to the Bond Trustee with 5 Business Days’ written notice); or
- (b) receipt by the Guarantor by email at the email address specified in the form of Notice of Demand in the Schedule (or such other email address as the Guarantor may, from time to time, notify to the Bond Trustee with 5 Business Days’ written notice),

in each case, prior to 12:00 noon (London time) on a Business Day. Delivery or receipt by email (as the case may be) either on a day that is not a Business Day or after 12:00 noon (London time) shall be deemed to be Receipt on the next succeeding Business Day.

**“Scheduled Interest”** means interest payable by the Issuer to the Bondholders or to the Bond Trustee for the benefit of the Bondholders under the Guaranteed Bonds as specified and calculated in accordance with the Guaranteed Bonds (as may be adjusted in accordance with the terms of the Guaranteed Bonds, but excluding any amendments that are not approved by the Guarantor in writing and disregarding any default interest, any indemnity payments or any prepayment or early redemption penalties).



“**Scheduled Principal**” means principal repayable by the Issuer to the Bondholders or to the Bond Trustee for the benefit of the Bondholders under the Guaranteed Bonds as specified in the Guaranteed Bonds (as may be adjusted in accordance with the terms of the Guaranteed Bonds, but excluding any amendments that are not approved by the Guarantor in writing and disregarding any default interest, any indemnity payments or any prepayment or early redemption penalties).

“**Taxes**” means any present or future taxes, duties, assessments or governmental charges of whatever nature.

## **1.2 Construction**

- 1.2.1 Any reference in this Deed to a Clause or the Schedule is, unless otherwise stated, to a clause hereof or the schedule hereto.
- 1.2.2 Unless the context otherwise requires, words denoting the singular number only shall include the plural and vice versa.
- 1.2.3 Headings and punctuation in this Deed are for convenience only and do not affect its construction or interpretation.
- 1.2.4 Unless the contrary intention appears, references in this Deed to:
- (a) any party to this Deed shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
  - (b) “**including**” and “**in particular**” shall not limit words and expressions in connection with which they are used;
  - (c) “**under**”, “**pursuant to**”, “**by virtue of**” and “**in relation to**” shall include each of the others;
  - (d) a “**person**” includes (where the context allows) any person, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality);
  - (e) “**insolvency**” includes any of the following or any steps in relation to the following:
    - (i) any insolvency, bankruptcy, liquidation, reorganisation, administration, receivership or dissolution;
    - (ii) any voluntary arrangement or assignment for the benefit of creditors;  
or
    - (iii) any similar or analogous event in any jurisdiction whatsoever;
  - (f) a provision of law is a reference to that provision as amended or re-enacted and includes subordinate legislation;
  - (g) this Deed shall be deemed to be a reference to this Deed as a whole and not limited to the particular clause, schedule or provision in which the relevant reference appears; and

- (h) this Deed or any other agreement, deed or document are references to them in force for the time being as amended, varied, supplemented or consolidated from time to time.

### **1.3 Acknowledgement**

The Guarantor acknowledges having received a copy of the Bond Trust Deed.

## **2. GUARANTEE**

### **2.1 Guaranteed Amounts**

The Guarantor hereby agrees unconditionally and irrevocably on demand (by the delivery of a Notice of Demand) to pay to the Bond Trustee for the benefit of the Bondholders any Guaranteed Amounts which have become Due for Payment but which are unpaid by reason of Non-payment, as if the Guarantor was the principal obligor.

### **2.2 Avoided Payment Amounts**

In the event that the Bond Trustee has notice that any payments of Guaranteed Amounts which have become Due for Payment and which have been made to the Bond Trustee or to any Bondholder by or on behalf of the Issuer have been declared (in whole or in part) a Preference and are required to be repaid by the Bond Trustee or such Bondholder pursuant to any Insolvency Law in accordance with a final non-appealable order of a court of competent jurisdiction, the Bond Trustee on behalf of the relevant Bondholders will be entitled to payment from the Guarantor, upon Receipt by the Guarantor from the Bond Trustee of a duly completed Notice of Demand, to the extent of such recovery (such amounts, the “**Avoided Payment Amounts**”).

## **3. INDEMNITY**

The Guarantor agrees as an independent and primary obligation to indemnify and keep indemnified the Bond Trustee and each Bondholder for all losses, liabilities, Costs and Expenses incurred as a result of the unenforceability, invalidity or illegality of any Guaranteed Obligation. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under Clause 2 above if the amount claimed had been recoverable on the basis of a valid guarantee.

## **4. SCOPE OF GUARANTEE**

The guarantee and indemnity provided for under Clauses 2 and 3 of this Deed are not cancellable by the Guarantor for any reason, including failure of the Guarantor to receive payment of any Issuer Guarantor Fees due in respect of this Deed. The Issuer Guarantor Fees will not be refundable for any reason. This Deed does not guarantee any Accelerated Payment other than at the sole option of the Guarantor nor does it provide protection by way of guarantee or otherwise against any risk other than Non-payment or Avoided Payment Amounts, in each case as provided herein.

## **5. PAYMENTS**

### **5.1 Time for payment**

5.1.1 Save in respect of Accelerated Payments (which may be made at the election of the Guarantor only) and Avoided Payment Amounts, the Guarantor shall make payments which are due under this Deed to the Bond Trustee by 4.00 p.m. (London time) on (i) the fourth Business Day following Receipt by the Guarantor of a duly completed Notice of Demand or, if later, (ii) the Business Day prior to the applicable Due Date.

5.1.2 The Guarantor shall make payments in respect of Avoided Payment Amounts which are due under Clause 2.2 (*Avoided Payment Amounts*) to the Bond Trustee by 4.00 p.m. (London time) on the fourth Business Day following Receipt by the Guarantor of a duly completed Notice of Demand.

### **5.2 Method of payment**

Payments due under this Deed shall be made by the Guarantor by credit to the relevant Account in pounds sterling. Payment in full to the relevant Account shall discharge the obligations of the Guarantor under this Deed to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Bond Trustee or the Principal Paying Agent.

### **5.3 Withholding tax and gross up**

All payments by the Guarantor will be made without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision 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 Guarantor will account to the appropriate tax authority for the amount to be withheld or deducted and shall pay such amounts (“**Additional Amounts**”) for the account of the Bond Trustee on behalf of the Bondholders in respect of which a withholding or deduction has been made as may be necessary in order that the net amounts receivable by the Bond Trustee for the benefit of the relevant Bondholder after such withholding or deduction shall equal the Guaranteed Amounts or the Accelerated Payment (as the case may be) which would have been receivable by such Bondholder from the Issuer in respect of the Affected Guaranteed Obligations in the absence of such withholding or deduction, provided, however, that no such Additional Amounts shall be payable in respect of any Guaranteed Obligations which will result from any payment by the Guarantor of Guaranteed Amounts or Accelerated Payments (as the case may be):

- (a) to or in respect of Bondholders who are liable or subject to such withholding or deduction by reason of them having some connection with the United Kingdom other than the mere holding or beneficial ownership of the relevant Guaranteed Bonds;
- (b) to or in respect of Bondholders who would not be subject to such withholding or deduction if they had made a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- (c) to or in respect of Bondholders who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment

through another paying agent in a member state of the European Economic Area;

- (d) to or in respect of Bondholders who have presented the relevant Guaranteed Bonds for payment more than 30 days after the Due Date (or the date on which the full amount payable has been paid by the Guarantor, if later) except to the extent that the relevant Bondholders would have been entitled to such additional amounts if they had presented the relevant Guaranteed Bonds for payment on the last day of such period of 30 days.

## **6. ACCELERATED PAYMENTS**

**6.1** There shall be no accelerated payment of any Guaranteed Amount due under this Deed unless the Guarantor elects at its sole option to make an Accelerated Payment of all or any part of the Guaranteed Obligations. The entitlement of the Guarantor to make an Accelerated Payment in such circumstances is not dependent on the Guarantor receiving a duly completed Notice of Demand. If the Guarantor decides to make an Accelerated Payment under this Deed, this shall not oblige the Guarantor to make payments in respect of any part of the Guaranteed Obligations which would be greater than:

- (a) in the case of fixed rate Guaranteed Bonds, the applicable amount calculated in accordance with Condition 10.3(a)(ii) of the Guaranteed Bonds in respect of such part of the Guaranteed Obligations (plus accrued but unpaid interest on such amount) (with any Accelerated Payment deemed to be an Optional Redemption (as defined in the Conditions of the Guaranteed Bonds) for such purposes); and
- (b) in the case of floating rate Guaranteed Bonds, the applicable amount calculated in accordance with Condition 10.3(b) of the Guaranteed Bonds in respect of such part of the Guaranteed Obligations (plus accrued but unpaid interest on such amount).

**6.2** If the Guarantor elects to make an Accelerated Payment, it shall, not later than 15 Business Days prior to the date on which it shall effect such payment, deliver to the Bond Trustee and the Issuer (with a copy to the Cash Manager and the Concessionaire) an irrevocable written notice duly executed by the Guarantor notifying the Bond Trustee and the Issuer of:

- (a) the exercise of its option to make an Accelerated Payment in accordance with this Clause 6;
- (b) the applicable Series (as defined in the Conditions of the Guaranteed Bonds) of Guaranteed Bonds to which the Accelerated Payment relates; and
- (c) the proposed Accelerated Payment Date for such Accelerated Payment,

provided that in the event that any Default Redemption Instruction (as defined in Condition 10.3 (*Early Redemption*) of the Conditions of the Guaranteed Bonds) is to be delivered by the Guarantor on the same day as such notice, the information required to be contained in such notice will instead be contained in such Default Redemption Instruction, which will constitute the required irrevocable written notice for the purposes of this Clause 6.2.

- 6.3** The Guarantor shall, unless otherwise directed by the Bond Trustee, make such Accelerated Payment to the relevant Account.

**7. SUBROGATION**

Upon the Guarantor making any payment in respect of any Guaranteed Obligations to the relevant Account pursuant to this Deed, the Guarantor shall, to the extent of any such payment, be fully and automatically subrogated to the fullest extent permitted by applicable law to all of the Bond Trustee's and the Bondholders' rights to payment of any amounts payable in respect of such Guaranteed Obligation (including without limitation (i) any rights and benefits attached to, and any security conferred or granted by law, contract or otherwise in respect of, the Affected Guaranteed Obligations and (ii) any default interest on any of the Affected Guaranteed Obligations accrued pursuant to the Guaranteed Bonds after the date of payment by the Guarantor).

**8. IMMEDIATE RECOURSE**

The Guarantor waives any right it may have of first requiring the Bond Trustee or any Bondholder 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 Guarantor under this Deed.

**9. PRESERVATION OF RIGHTS**

**9.1 Continuing obligations**

The obligations of the Guarantor under this Deed will be continuing obligations notwithstanding any settlement of account and, in particular but without limitation, not be considered satisfied by any intermediate payment or satisfaction of all or any of the Guaranteed Obligations.

**9.2 Waiver of defences**

The obligations of the Guarantor under this Deed will not in any way be affected by any act, omission, matter or thing which, but for this provision, would reduce, release, diminish or prejudice any of its obligations under this Deed. In particular (but without limitation), the obligations of the Guarantor under this Deed will not be affected by:

- (a) any lack of validity, enforceability or legality of, or any amendment to, any of the Guaranteed Obligations or the Guaranteed Bonds;
- (b) the granting of any time, consent, waiver or other indulgence or concession by any party to the Issuer;
- (c) any insolvency or similar proceedings in relation to the Issuer or any other person;
- (d) the existence of any claim, set-off or other right which the Issuer or the Guarantor may have at any time against the Bond Trustee or any other person;
- (e) any incapacity, lack of power, authority or legal personality of or dissolution or change in the members or status of the Issuer, the Guarantor or any other person;

- (f) any amalgamation, merger or reconstruction that may be effected by the Bondholders, the Bond Trustee or the Issuer with any other person, including any reconstruction by the Bondholders, the Bond Trustee or the Issuer involving the formation of a new company and the transfer of the whole or any part of its assets to that company, or any sale or transfer of the whole or any part of the undertaking and assets of the Bondholders, the Bond Trustee or the Issuer to any other person;
- (g) any variation, amendment, waiver, release, novation, supplement, extension, restatement or replacement of the Guaranteed Bonds or the Bond Trust Deed or any other guarantee, indemnity, security or other document, however fundamental and of whatsoever nature, in each case made in accordance with the Bond Trust Deed and the rights of the Guarantor hereunder;
- (h) any change in the identity of the Bondholders or the Bond Trustee;
- (i) the refusal or failure to take up, hold, perfect or enforce by any person any rights under or in connection with any guarantee, indemnity, security or other document (including any failure to comply with any formality or other requirement or any failure to realise the full value of any security); or
- (j) any other act, omission, event, matter or circumstance which would have discharged or affected the liability of the Guarantor had it been the principal debtor under the Guaranteed Bonds, or anything done or omitted by any person which, but for this provision, might exonerate or discharge the Guarantor or otherwise reduce or extinguish its liability under this Deed.

## 10. TERMINATION

**10.1** This Deed will terminate upon the last to occur of:

- (a) the payment by the Guarantor of an amount equal to the aggregate amount of all Guaranteed Amounts payable under this Deed; and
- (b)
  - (i) the day following the date on which any payment in respect of a Guaranteed Obligation could have been avoided in whole or in part under Insolvency Law; or
  - (ii) if the Issuer becomes subject to any proceedings or other action pursuant to Insolvency Law (“**Insolvency Proceedings**”) prior to the occurrence of (b)(i) above, the last to occur of:
    - (A) the date of the final non-appealable conclusion or dismissal of the relevant Insolvency Proceedings without continuing jurisdiction by the court in such Insolvency Proceedings; and
    - (B) if the Bond Trustee or a Bondholder is required to return any payment (or portion thereof) in respect of such Guaranteed Obligation that is declared a Preference as a result of such Insolvency Proceedings, the date on which the Guarantor has made all payments required to be made under the terms of the guarantee to the Bond Trustee for the benefit of the

relevant Bondholders in respect of all Avoided Payment Amounts.

**10.2** Clause 10.1 above shall be interpreted as referring to this Deed as it applies, in each case and separately, to the Guaranteed Bonds the subject of the various Guarantee Certificates and, accordingly, to the guarantee constituted by this Deed and the relevant Guarantee Certificate such that this Deed shall be capable of terminating in so far as it applies to the Guaranteed Bonds the subject of any specific Guarantee Certificate whilst continuing in so far as it applies to the Guaranteed Bonds the subject of each other Guarantee Certificate.

**10.3** Without prejudice to Clauses 10.1 and 10.2 above, this Deed shall finally terminate upon the last to occur of:

- (a) termination, in accordance with Clause 10.1 above, in respect of every Guaranteed Bond then in issue; and
- (b) the Issuer having confirmed to the Guarantor in writing that it has no intention of issuing further bonds under the Programme.

## **11. NOTICES**

### **11.1 Communications in writing**

11.1.1 Any communication to be made under or in connection with this Deed (other than a Notice of Demand made or delivered pursuant to Clauses 2.2 or 5.1) shall be in writing and, unless otherwise stated or agreed between the parties, must be made by hand delivery, registered letter or email.

11.1.2 For the purposes of this Deed, an electronic communication will be treated as being in writing.

11.1.3 Any communication to be made under or in connection with this Deed shall be in the English language.

### **11.2 Addresses**

The address (and the department for whose attention the communication is to be made) of each party to this Deed for any communication or document to be made or delivered under or in connection with this Deed (other than a Notice of Demand made or delivered pursuant to Clauses 2.2 or 5.1) is that identified below or any substitute address or department as the party may notify to the other party by not less than five Business Days' notice.

For the Bond Trustee on behalf of itself and the Bondholders	Attention: Corporate Trust Administration – Saltaire Finance plc  Address: One Canada Square, London E14 5AL  Email address: corpsov2@bnymellon.com
For the Guarantor	Attention: Nick Clayton-Peck

	Address: 2 Marsham Street, London SW1P 4DF Telephone: 030 3444 6794 Email address: ERSguarantees@communities.gov.uk
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### **11.3 Delivery**

11.3.1 Any communication or document made or delivered by one person to another under or in connection with this Deed (other than a Notice of Demand made or delivered pursuant to Clauses 2.2 or 5.1) will only be effective:

- (a) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address; or
- (b) if by way of email, when actually received (or made available) in readable form,

and, if a particular department or officer is specified as part of its address details provided under Clause 11.2, if addressed to that department or officer.

11.3.2 Any communication or document which becomes effective, in accordance with Clause 11.3.1 above, on a non-Business Day or after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following Business Day.

## **12. ASSIGNMENT**

### **12.1 Assignment by the Bond Trustee**

The Bond Trustee may at any time, without the consent of the Guarantor, assign or transfer any of its rights and obligations under this Deed to any person to whom its rights and obligations under the Bond Trust Deed may be assigned or transferred.

### **12.2 Assignment by the Guarantor**

12.2.1 Subject to Clause 12.2.1, the Guarantor shall not assign or transfer, or attempt to assign or transfer, any of its rights or obligations under this Deed without the prior written consent of the Bond Trustee.

12.2.2 Any reference in this Deed to the Secretary of State for Housing, Communities and Local Government shall be deemed to include a reference to any legal successor to the Secretary of State for Housing, Communities and Local Government. Nothing in this Deed will prevent the assignment, or transfer or other disposal of all (but not part) of the rights and/or obligations of the Secretary of State for Housing, Communities and Local Government to a Minister of the Crown pursuant to an Order under the Ministers of the Crown Act 1975, a central government body or department acting for and on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland or another body (whether incorporated or unincorporated) whose liabilities are direct sovereign obligations of the Crown, and the Bondholders and the Bond Trustee on behalf of itself and as trustee for the Bondholders will give their prior consent to any such assignment, transfer or other disposal of such rights and/or obligations, in each case provided that no such



assignment, transfer or other disposal shall have effect unless the claims of the Bondholders and the Bond Trustee on behalf of itself and as trustee for the Bondholders under this Deed continue to be on the Crown of the United Kingdom of Great Britain and Northern Ireland. Any such assignment, transfer or other disposal shall be notified forthwith by the Secretary of State for Housing, Communities and Local Government (or any previous successor as Guarantor under this Deed) to the Bond Trustee.

### **13. PARTIAL INVALIDITY**

**13.1** If at any time any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither:

- (c) the legality, validity or enforceability of the remaining provisions under the law of that jurisdiction or any other jurisdiction; nor
- (d) the legality, validity or enforceability of such provision under the law of any other jurisdiction,

will in any way be affected or impaired.

**13.2** The parties shall enter into good faith negotiations, but without any liability whatsoever in the event of no agreement being reached, to replace any illegal, invalid or unenforceable provision with a view to obtaining the same commercial effect as this Deed would have had if such provision had been legal, valid and enforceable.

### **14. REMEDIES AND WAIVERS**

No delay or omission on the part of the Bond Trustee or any Bondholder in exercising any right provided by law or under this Deed shall impair, affect or operate as a waiver of that or any other right. The single or partial exercise by the Bond Trustee or any Bondholder of any right shall not preclude or prejudice any other or further exercise of that, or the exercise of any other, right. The rights of the Bond Trustee and the Bondholders under this Deed are in addition to and do not affect any other rights available to them by law.

### **15. EXECUTION AS A DEED**

Each of the parties intends this Deed to be a deed and confirms that it is executed and delivered as a deed, notwithstanding the fact that one of the parties may only execute it under hand.

### **16. ENTIRE AGREEMENT**

This Deed constitutes the entire agreement between the Guarantor, the Bond Trustee and the Bondholders in relation to the Guarantor's obligation to make payments to the Bond Trustee for the benefit of the Bondholders in respect of Guaranteed Amounts which become Due for Payment but shall have remained unpaid by reason of Non-payment or Avoided Payment Amounts and supersedes any previous agreement between the Guarantor, the Bond Trustee and the Bondholders in relation thereto.

**17. COUNTERPARTS**

This Deed may be executed in any number of counterparts, and by the parties to this Deed on separate counterparts, but will not be effective until each such party has executed at least one counterpart. Each counterpart shall constitute an original of this Deed, but all the counterparts will together constitute one and the same instrument.

**18. JURISDICTION**

**18.1** The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a “Dispute”).

**18.2** The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

**19. GOVERNING LAW**

This Deed is governed by and is to be construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Deed, whether contractual or non-contractual, is to be governed by and construed in accordance with English law.

**This Deed has been executed as a deed and delivered on the date stated at the beginning of this Deed.**

## SCHEDULE 1

### FORM OF NOTICE OF DEMAND

To: Secretary of State for Housing, Communities and Local Government  
2 Marsham Street  
London SW1P 4DF

Attention: Nick Clayton-Peck

Or by email to: [ERSguarantees@communities.gov.uk](mailto:ERSguarantees@communities.gov.uk)<sup>1</sup>

#### **Deed of Guarantee dated [●] in respect of a £3,000,000,000 Guaranteed Secured Bond Programme of Saltaire Finance plc (the “Issuer”) — Notice of Demand**

1. We refer to the Deed of Guarantee dated [●] (the “**Deed**”) executed by the Secretary of State for Housing, Communities and Local Government (the “**Guarantor**”) and BNY Mellon Corporate Trustee Services Limited (the “**Bond Trustee**”) in respect of certain liabilities of the Issuer under certain of the bonds issued under the Programme.
2. Unless the context otherwise requires, capitalised terms used in this Notice of Demand and not defined herein shall have the meanings provided in the Deed. [In addition, in this Notice of Demand “**Cash Manager**” means [The Bank of New York Mellon, London Branch]<sup>2</sup>.]
3. The undersigned, a duly authorised officer of the Bond Trustee, hereby certifies to the Guarantor that:
  - a) the Bond Trustee is the trustee under the Bond Trust Deed for the Bondholders;
  - b) EITHER the [Bond Trustee understands, on the basis of notification received from the Principal Paying Agent[/Cash Manager], that the deficiency in respect of the Guaranteed Amounts which [are/were] Due for Payment on [*insert Due Date*] (the “**Affected Guaranteed Obligations**”) [will be/was/is] [*insert applicable amount in pounds sterling*] (the “**Shortfall**”) (and of such Shortfall (i) [*insert amount*] is Scheduled Interest on the Affected Guaranteed Obligations and (ii) [*insert amount*] is Scheduled Principal on the Affected Guaranteed Obligations);]

OR [the Bond Trustee or the Bondholders [has/have] been required to repay [insert applicable currency and amount] (the “**Avoided Payment Amount**”) to the Issuer on [*insert date*] in connection with a Preference declared or required to be recovered from the Bond Trustee or such Bondholder(s) pursuant to any Insolvency Law in accordance with a final non-appealable order of a court of competent jurisdiction;]

- c) the Bond Trustee is making a claim under the Deed for the [Shortfall/Avoided Payment Amount] to be applied to the payment of the Guaranteed Amounts which [are Due for Payment/were paid but found to be a Preference];

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<sup>1</sup> Or such other address or email address as the Guarantor may from time to time notify to the Bond Trustee with 5 Business Days’ notice.

<sup>2</sup> To be changed if the Cash Manager is changed.

- d) the Bond Trustee agrees that, following payment of funds by the Guarantor, it shall use reasonable endeavours to procure (i) that such amounts are applied directly to the payment of Guaranteed Amounts which [are Due for Payment/were paid but found to be a Preference]; (ii) that such funds are not applied for any other purpose; and (iii) the maintenance of an accurate record of such payments with respect to each Guaranteed Obligation and the corresponding claim on the Deed and the proceeds thereof (and, for the purposes of (i) and (ii) above, it shall be sufficient if the Bond Trustee directs the Guarantor to make payment to the Principal Paying Agent); and
  - e) payment should be made by the Guarantor in pounds sterling by credit to an account in the name of [The Bank of New York Mellon, London Branch]<sup>3</sup> with [*insert name of bank*], of [*insert address of bank*], Sort Code [*insert sort code*] and Account Number [*insert account number*].
4. The Bond Trustee acknowledges that the Deed provides that, effective as of the date on which the Shortfall or the Avoided Payment Amount (as the case may be) is credited to such account, the Guarantor shall, to the extent of such payment, be fully and automatically subrogated pursuant to applicable law to all of the Bond Trustee's and the Bondholders' rights to payment of any amounts payable in respect of such Shortfall or Avoided Payment Amount (as the case may be) (including, without limitation, (i) any rights and benefits attached to, and any security conferred or granted by law, contract or otherwise in respect of, the Affected Guaranteed Obligations and (ii) any default interest on any of the Affected Guaranteed Obligations accrued pursuant to the Guaranteed Bonds after the date of payment by the Guarantor).
  5. This Notice of Demand may be revoked by written notice by the Bond Trustee to the Guarantor at any time prior to the date specified in paragraph 3(b) above on which Guaranteed Amounts are Due for Payment to the extent that moneys are actually received in respect of the Guaranteed Obligations prior to such date from a source other than the Guarantor.
  6. 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 English law.

**IN WITNESS WHEREOF** the Bond Trustee has executed and delivered this Notice of Demand on [●] 20[●].

**BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Phone: \_\_\_\_\_

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<sup>3</sup> To be changed if the Agent is changed.

**SCHEDULE 2**

**FORM OF GUARANTEE CERTIFICATE**

**SECRETARY OF STATE FOR HOUSING, COMMUNITIES AND LOCAL  
GOVERNMENT**  
2 Marsham Street  
London SW1P 4DF

To: Saltaire Finance plc

[insert date]

**Deed of Guarantee dated [●] in respect of a £3,000,000,000 Guaranteed Secured Bond Programme of Saltaire Finance plc (the “Issuer”) – Guarantee Certificate**

1. We refer to the Deed of Guarantee dated [●] (the “**Deed**”) executed by the Secretary of State for Housing, Communities and Local Government (the “**Guarantor**”) and BNY Mellon Corporate Trustee Services Limited (the “**Bond Trustee**”) in respect of certain liabilities of the Issuer under certain of the bonds issued under the Programme.
2. Unless the context otherwise requires, capitalised terms used in this Guarantee Certificate and not defined herein shall have the meanings provided in the Deed.
3. This Guarantee Certificate is a “Guarantee Certificate” for the purposes of the Deed.
4. The Guarantor hereby certifies that the bonds listed below are, upon their issue, Guaranteed Bonds for the purposes of the Deed:

Issuer	Description	ISIN	Nominal Amount
Saltaire Finance plc	[●]	[●]	[●]

**IN WITNESS** whereof this Guarantee Certificate has been executed by the Guarantor, and is intended to be, and is hereby delivered, as a deed poll on the date specified above.

**EXECUTED** as a deed by the )  
**SECRETARY OF STATE FOR** )  
**HOUSING, COMMUNITIES** )  
**AND LOCAL GOVERNMENT** )

The Corporate Seal of the Secretary of )  
State for Housing, Communities and )  
Local Government is hereunto affixed and )  
authenticated in the presence of: )

Signature: .....

Name (print): .....

A senior official in the Ministry of Housing, Communities and Local Government

**EXECUTION PAGE**

**Guarantor**

Executed as a deed by the )  
**SECRETARY OF STATE FOR** )  
**HOUSING, COMMUNITIES** )  
**AND LOCAL GOVERNMENT** )

)  
The Corporate Seal of the Secretary of )  
State for Housing, Communities and Local )  
Government is hereunto affixed and )  
authenticated in the presence of: )

Signature: \_\_\_\_\_

Name (print):

A senior official in the Ministry of  
Housing, Communities and Local  
Government

**Bond Trustee**

Executed as a deed by **BNY MELLON** )  
**CORPORATE TRUSTEE SERVICES** )  
**LIMITED** acting by its directors: )

)  
Name (print): \_\_\_\_\_ Director

)  
)  
)  
)  
)  
Name (print): \_\_\_\_\_ Director

## **INVESTMENT CONSIDERATIONS**

*The following is a summary of certain aspects of the Bonds about which prospective Bondholders should be aware.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*This section is not intended to be exhaustive and prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum and reach their own views prior to making any investment decision. Further, any prospective Bondholder should take its own legal, financial, accounting, tax and other relevant advice as to the viability of its investment.*

### **Investment Considerations Relating to the Issuer**

#### ***Special Purpose Vehicle Issuer***

The Issuer is a special purpose finance entity with no business operations other than the issuance of Bonds pursuant to the Programme and entry into Loan Agreements with Approved Borrowers. As such the Issuer is entirely dependent upon (a) receipt of funds from the Approved Borrowers under the Loan Agreements and (b) the provision of services from third parties including, without limitation, the Concessionaire pursuant to the Issuer Services Agreement and the Corporate Services Provider pursuant to the Corporate Services Agreement, in each case, in order to fulfil its obligations under the Bonds. To the extent the Issuer has insufficient funds to pay Scheduled Interest and Scheduled Principal under the Bonds, the Trustee (on behalf of the Bondholders, the Receiptholders and the Couponholders) will have recourse to the Guarantor pursuant to the Bond Guarantee.

### **Investment Considerations Relating to the Guarantor and the Bond Guarantee**

#### ***Credit Support***

As a result of the Bond Guarantee, the Bondholders' receipt of scheduled principal and interest payments under the Bonds does not depend on the Issuer receiving amounts from the Approved Borrowers under the Loan Agreements. To the extent the Issuer has insufficient funds to pay scheduled interest and principal under the Bonds, the Trustee (on behalf of the Bondholders, the Receiptholders and the Couponholders) will have recourse to the Guarantor pursuant to the Bond Guarantee. In deciding to purchase the Bonds, Bondholders will ultimately be relying on their assessment of the Bond Guarantee and the creditworthiness of the Guarantor. The rating of the Bonds is linked directly to that of the Guarantor.

#### ***Credit Rating***

Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agencies.



In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

The rating of the Programme and the rating of the Bonds issued under the Programme are based on the Bond Guarantee and the Guarantor. Pursuant to the Bond Guarantee, the Guarantor will guarantee payments of scheduled principal and interest under the Bonds (the Guaranteed Amounts). The payment of the Guaranteed Amounts will, therefore, depend upon the Guarantor performing its obligations under the Bond Guarantee to the extent that the Issuer has defaulted in making payments of scheduled principal and interest under the Bonds. The likelihood of payment of the Guaranteed Amounts in these circumstances will depend upon the creditworthiness of the Guarantor. Consequently, investors are relying on the creditworthiness of the Guarantor to perform its obligations under the Bond Guarantee. Any event that would hinder the Guarantor's ability to guarantee the Bonds would adversely affect the likelihood of investors receiving payments of scheduled principal and interest on the Bonds and could result in a withdrawal or downgrade of the ratings of the Programme and/or the Bonds.

### ***Withdrawal of the United Kingdom from the European Union***

On 29th March, 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the European Union (the EU) of its decision to withdraw from the EU. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the United Kingdom and the EU.

On 31st January, 2020, the United Kingdom ceased to be a member of the EU. By virtue of the European Union (Withdrawal) Act 2018 and the Withdrawal Agreement, EU law and EU-derived domestic legislation continued to apply to and in the UK during a transition period lasting until 31st December, 2020. During the transition period the UK continued to be treated as a member state under EU law unless otherwise specified. On 24th 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 and the Trade and Cooperation Agreement formally entered into force on 1st May, 2021.

The continuing effects of the UK's departure from the EU are difficult to predict and there remains both short-term and long-term political and economic uncertainty around the departure. It is not possible to determine the precise impact that the United Kingdom's departure from the EU and/or any related matters may have on the Guarantor. As such, no assurance can be given that such matters would not adversely affect the market value and/or the liquidity of the Bonds in the secondary market.

### ***Control by the Guarantor***

Although the Bond Guarantee mitigates the credit risks to which potential investors in the Bonds would otherwise be exposed, involvement of the Guarantor will have certain consequences. In particular, in relation to any matter, provided that no Guarantor Trigger Event has occurred and is continuing, the Guarantor shall have the right to direct the Trustee in respect of all matters relating to the Conditions, the Trust Deed and the other Programme Documents (other than a Bondholder Entrenched Right).

In addition, prior to the occurrence of a Guarantor Trigger Event that is continuing, the Trustee shall, without the consent of Bondholders, Receiptholders or Couponholders, if so directed by the Guarantor, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed (provided that the subject matter is not a Bondholder Entrenched Right) in the circumstances and subject to the conditions described in Condition 19 (*Meetings of Bondholders, Modification, Waiver and Substitution*). The Trustee will incur no liability to any person for so doing.

### ***Sovereign risks and State aid***

Transactions entered into with sovereigns or other emanations of the state (a **Relevant State Entity**) can be exposed to certain risks, including in relation to sovereign immunity and procurement and competition law. In the context of the provision of a guarantee by a Relevant State Entity, the risks include that a guarantee constitutes unlawful State aid or subsidy.

The Guarantor has submitted to the jurisdiction of the English Courts in relation to any dispute arising out of or in connection with the provision of the Bond Guarantee.

The Issuer believes that the Bond Guarantee may constitute aid but that such aid is compatible aid (permitted) as the Bond Guarantee is provided in relation to funding for affordable housing, which is a Service of General Economic Interest. The Issuer is not aware of any challenge on the basis of State aid in relation to the Affordable Homes Guarantee Scheme.

The United Kingdom government has revoked the EU State aid rules as from 1 January, 2021, except as provided for pursuant to the Protocol on Ireland/Northern Ireland from the European Union and the European Atomic Energy Community and, as at the date of this Programme Memorandum, is consulting on a new subsidy control regime. This new subsidy control regime will, amongst other things, take account of the subsidy control provisions contained in the Trade & Cooperation Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland including those relating to Services of public economic interest. The United Kingdom will continue to be subject to the World Trade Organisation's subsidy rules which apply to goods and not services and ban subsidies that are dependent on either how much a company exports or the use of domestic goods over imports. The Issuer therefore does not expect any additional State aid risks to arise.

## **Investment Considerations Relating to the Bonds**

### ***Changes of Law***

The conditions of the Bonds are based on English law in effect as at the date of this Programme Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Programme Memorandum and any such change

could materially adversely impact the value of any Bonds affected by it, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Bonds or the ability of the Guarantor to make payments under the Bond Guarantee.

#### ***Taxation – No Gross Up in Relation to Payments by the Issuer***

Neither the Issuer nor the Guarantor will be obliged to pay any additional amounts to Bondholders to compensate them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds by the Issuer or by the Agent on the Issuer's behalf. Accordingly, in the event of a change of tax law, there may be an effect on the amount of principal or interest receivable by Bondholders from the Issuer under the terms of the Bonds.

This is without prejudice, however, to the obligation of the Guarantor under the Bond Guarantee to pay additional amounts, save in limited circumstances, in the event of a withholding or deduction for United Kingdom tax from payments by it under the Bond Guarantee.

#### ***Modification, Waivers and Substitution***

The Conditions and the Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally, and for passing resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically and Bondholders who voted in a manner contrary to the majority.

Following the occurrence of a Guarantor Trigger Event that is continuing, the Trustee may, without the consent of the Bondholders, Receiptholders or Couponholders, (i) subject to confirmation from the Rating Agency (as defined in the Conditions) that its then current rating of the Bonds would not be adversely affected and provided that the subject matter is not a Bondholder Entrenched Right, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed or the other Programme Documents or the Bond Guarantee or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or (ii) agree to any modification which, in its opinion, is of a formal, minor or technical nature or made to correct a manifest error.

No modification of the Conditions or the Trust Deed shall be binding on the Guarantor unless it has given its consent thereto (whether or not a Guarantor Trigger Event has occurred).

#### ***Denominations involving Integral Multiples: Definitive Bonds***

In relation to any issue of Bonds which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bonds at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Bonds in definitive form are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Redemption or prepayment prior to maturity***

In the event that the Bonds are redeemed by the Issuer or are subject to an Accelerated Payment by the Guarantor prior to maturity in circumstances where they are redeemed or prepaid, it may not be possible for an investor to reinvest the redemption/prepayment proceeds at an effective yield as high as the yield on the Bonds. Condition 10.3 (*Early Redemption*) provides for redemption at par in the case of an Illegality Redemption or a Tax Redemption in respect of Fixed Rate Bonds and in respect of any early redemption of Floating Rate Bonds and Condition 13 (*Events of Default*) provides for redemption at par following an Event of Default.

### ***Fixed Rate Bonds***

Investment in Fixed Rate Bonds involves the risk that, if market interest rates subsequently increase above the rate paid on the Fixed Rate Bonds, this will adversely affect the value of the Fixed Rate Bonds.

### ***Floating Rate Bonds***

The regulation and reform of "benchmarks" may adversely affect the value of Bonds linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks", including the London interbank offered rate (**LIBOR**), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Bonds referencing such a benchmark.

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**), among other things, applies to the provision of benchmarks and the use of a benchmark in the United Kingdom. Similarly, it prohibits the use in the United Kingdom by United Kingdom supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-United Kingdom based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Bonds linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the reforms, investigations and licensing issues under the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, in making any investment decisions with respect to Bonds linked to a "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

It is not possible to predict with certainty whether, and to what extent, LIBOR will continue to be supported going forwards. This may cause LIBOR to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes, or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that an Original Reference Rate (as defined in the Conditions) and/or any page on which an Original Reference Rate may be published (or any other successor service) becomes unavailable or the Issuer determines that a Benchmark Event (as defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with the application of an Adjustment Spread and may include amendments to the Conditions, the Trust Deed and the Agency Agreement to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser appointed by the Issuer (acting in good faith and in a commercially reasonable manner and in consultation with the Issuer and the Guarantor), and (in the case of Benchmark Amendments) subject to the consent of the Guarantor (unless a Guarantor Trigger Event has occurred and is continuing). An adjustment spread could be positive or negative or zero and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to investors. The use of a Successor Rate or Alternative Rate and an Adjustment Spread will still result in any Bonds linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate or, in either case, an Adjustment Spread is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Bonds based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

## **Investment Considerations Relating to the Market Generally**

### ***Limited Liquidity***

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 their Bonds easily or at prices

that will provide them with a yield comparable to similar investments that have a developed secondary market. The Dealers are not obliged to make a market in the Bonds and, if any Dealer does, any such market-making may be discontinued at any time without notice. Consequently, a purchaser must be prepared to hold the Bonds for an indefinite period of time or until the Maturity Date or the Legal Maturity Date, as applicable, as specified in the applicable Pricing Supplement.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Bonds, and the Guarantor will make any payments under the Bond Guarantee, in Sterling (the **Issuer's Currency**). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Issuer's Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Issuer's Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Any appreciation in the value of the Investor's Currency relative to the Issuer's Currency would decrease (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency equivalent market value of the Bonds.

## FORM OF THE BONDS

Each Tranche of Bonds will be in bearer new global note (NGN) form and will initially be issued in the form of a temporary global bond (a **Temporary Global Bond**) which will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

The Global Bonds (as defined below) are intended to be held in a manner which would allow Eurosystem eligibility, if permitted under Eurosystem eligibility criteria. However, under current Eurosystem eligibility criteria, the Bonds will not be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. Even if the criteria are changed to permit the Bonds to be so recognised, their continued recognition during their life will depend upon continued satisfaction of the criteria. Where Bonds are recognised as eligible collateral, the Common Safekeeper will either be Euroclear or Clearstream, Luxembourg .

Whilst any Bond is represented by a Temporary Global Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bonds due prior to the Exchange Date (as defined below) will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Bond is issued, interests in such Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein for interests in a permanent global bond (a **Permanent Global Bond** and, together with a Temporary Global Bond, the **Global Bonds**) of the same Series against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Bond for an interest in a Permanent Global Bond is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Bond will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

A Permanent Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with, where applicable, receipts, interest coupons and talons attached, only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Permanent Global Bond in definitive form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Bondholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Bond) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Bonds (other than Temporary Global Bonds), receipts and interest coupons relating to such Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bonds, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Bonds, receipts or interest coupons.

Bonds which are represented by a Global Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Conditions of the Bonds*"), the Agent shall arrange that, where a further Tranche of Bonds is issued which is intended to form a single Series with an existing Tranche of Bonds at a point after the Issue Date of the further Tranche, the Bonds of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Bonds of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Bonds of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

No Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails or is unable so to do within 60 days and the failure and/or inability shall be continuing, save that no Bondholder, Receiptholder or Couponholder may take insolvency proceedings against the Issuer.



## CONDITIONS OF THE BONDS

*The following are the Conditions of the Bonds which will be incorporated by reference into each Global Bond (as defined below) and each definitive Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Bond will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Bonds may specify other conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Bonds. Terms used but not otherwise defined in these Conditions shall have the meanings given to them in the applicable Pricing Supplement. The applicable Pricing Supplement will be endorsed upon, or attached to, each Global Bond and definitive Bond.*

This Bond is one of a Series (as defined below) of Bonds issued by Saltaire Finance plc (the **Issuer**) constituted by a trust deed (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 9th June, 2021 made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the **Trustee**, which expression shall include any successor as Trustee).

Each of the Bonds is unconditionally and irrevocably guaranteed as to payments of Scheduled Principal and Scheduled Interest (each as defined below), pursuant to (a) a deed of guarantee dated 9th June, 2021 (the **Deed of Guarantee**) entered into between The Secretary of State for Housing, Communities and Local Government (the **Guarantor**) and the Trustee in accordance with the Guarantor's Affordable Homes Guarantee Scheme and (b) a guarantee certificate (each a **Guarantee Certificate**) entered into by the Guarantor in respect of the Tranche (as defined below) of Bonds to which the relevant Bond relates in accordance with the Deed of Guarantee (the Deed of Guarantee and each Guarantee Certificate together being, the **Bond Guarantee**).

References herein to the **Bonds** shall be references to the Bonds of this Series and shall mean:

- (a) in relation to any Bonds represented by a global Bond (a **Global Bond**), units of each Specified Denomination;
- (b) any Global Bond; and
- (c) any definitive Bonds issued in exchange for a Global Bond.

The Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement (as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 9th June, 2021 and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent and calculation agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Bond (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Bond and may specify other conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify these Conditions for the purposes of this Bond. References to the **applicable Pricing Supplement** are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Bond.

Definitive Bonds have interest coupons (**Coupons**) and, in the case of Bonds which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bonds which are repayable in instalments

have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Bonds do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Bonds (the **Bondholders**, which expression shall, in relation to any Bonds represented by a Global Bond, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed, the Agency Agreement, the Cash Management Agreement (as defined below), the Subordination Deed (as defined below), the Account Agreement (as defined below) and the Bond Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents. The applicable Pricing Supplement will only be obtainable by a Bondholder holding one or more Bonds and such Bondholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Paying Agent as to its holding of such Bonds and identity. The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the Bond Guarantee and the applicable Pricing Supplement which is applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Cash Management Agreement and the Bond Guarantee.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## 1. DEFINITIONS

**Accelerated Payment** has the meaning given in the Bond Guarantee;

**Account Agreement** means the account agreement dated 9th June, 2021 and made between the Issuer, the Guarantor, the Trustee, the Cash Manager and the Account Bank (as modified and/or supplemented and/or restated from time to time);

**Account Bank** means The Bank of New York Mellon, London Branch as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

**Affordable Homes Guarantee Scheme** has the meaning given in the Concession Agreement;

**Aggregate Principal Amount Outstanding** of a Series of Bonds on any date shall be the aggregate original nominal amount of such Series of Bonds less the aggregate amount of all principal payments (including, without limitation, all Instalment Amounts) in respect of such Series of Bonds which have (i) become due and payable since their issue date except if and to the extent that any such payment has been improperly withheld or refused or (ii) been paid by the Guarantor as an Accelerated Payment;

**Appointee** means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Trustee under, or pursuant to, these Conditions or the Trust Deed;

**Approved Borrower** has the meaning given in the Concession Agreement;

**Associated Approved Borrower** means each Approved Borrower pursuant to an Associated Loan Agreement;

**Associated Loan Agreement** means, in respect of each Series of Bonds, a Loan Agreement pursuant to which the Issuer advances a portion of the issue proceeds of such Series of Bonds for application by such Approved Borrower in accordance with the rules of the Affordable Homes Guarantee Scheme;

**Benchmark Amendment** has the meaning given in Condition 8.2(c) (*Benchmark Replacement*);

**Bondholder Entrenched Rights** means the right to vote on, or agree to, any proposal:

- (a) to change any date fixed for payment of principal, interest, redemption price or other amounts in respect of the Bonds, Receipts or Coupons, to reduce the amount of principal, interest or redemption price payable on any date in respect of the Bonds, Receipts or Coupons, to alter the method of calculating the amount of any payment in respect of the Bonds, Receipts or the Coupons or the date for any such payment (other than a Benchmark Amendment);
- (b) to effect any exchange of the Bonds for, or the conversion of the Bonds into, shares, bonds or other obligations of the Issuer, the Guarantor or any other person or to approve the substitution of any person for the Issuer as principal obligor under the Bonds, Receipts and Coupons;
- (c) to change the currency of payments under the Bonds, Receipts or Coupons;
- (d) to modify any provision of the Bond Guarantee in a way which, in the opinion of the Trustee, is materially prejudicial to the interests of the Bondholders, the Receiptholders, the Couponholders and/or the Trustee (in its capacity as beneficiary of the Bond Guarantee);
- (e) to approve the substitution of any person for the Guarantor (or any previous substitute) as guarantor of the Bonds, Receipts and Coupons (other than as permitted by the Bond Guarantee);
- (f) to change the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution;
- (g) to release the Security;
- (h) to amend the definition of "Guarantor Trigger Event" or the concept of "continuing" in relation thereto or the use thereof in these Conditions or the Trust Deed;
- (i) to approve any amendment which would result in a change or elimination of the rights of the Bondholders, Receiptholders or Couponholders to receive any payment not contemplated by the original terms of the Bonds (save as results from procedural and/or administrative changes which are not material and arise in the ordinary course of administration of the Bonds); or
- (j) to amend this definition or the use thereof in these Conditions and the Trust Deed;

**Business Day** means any day (other than a Saturday or a Sunday) on which commercial banks are open for business in London;

**Calculation Amount Outstanding** on any date shall be the original Calculation Amount less the aggregate amount of all principal payments (including, without limitation, all Instalment Amounts) in respect of such Calculation Amount which have (i) become due and payable since the issue date of the Bond except if and to the extent that any such payment has been improperly withheld or refused or (ii) been paid by the Guarantor as an Accelerated Payment;

**Cash Management Agreement** means the cash management agreement dated 9th June, 2021 and made between, *inter alios*, the Issuer, the Guarantor, the Trustee and the Cash Manager (as modified and/or supplemented and/or restated from time to time);

**Cash Manager** means The Bank of New York Mellon, London Branch as cash manager pursuant to the Cash Management Agreement or any successor cash manager appointed thereunder;

**Concession Agreement** means the concession agreement dated 16th October, 2020 made between the Guarantor and the Concessionaire (as modified and/or supplemented and/or restated from time to time) pursuant to which the Guarantor granted the Concessionaire a concession for the management and delivery of the Affordable Homes Guarantee Scheme;

**Concessionaire** means Saltaire Housing Ltd;

**continuing:**

- (i) when used to describe a Guarantor Trigger Event, means that any one or more of the events set out in the definition thereof have occurred and have not been waived by an Extraordinary Resolution of the Bondholders, provided that, in the case of non-payment of a Guaranteed Amount on the date stipulated in the Bond Guarantee or an Accelerated Payment on the date such payment is due in accordance with Condition 10.7 (*Guarantor Accelerated Payments*), such non-payment by the Guarantor has continued for a period of 10 days in respect of Scheduled Principal or an Accelerated Payment or for a period of 14 days in respect of Scheduled Interest and has not been waived by an Extraordinary Resolution of the Bondholders; and
- (ii) when used to describe an Event of Default, means that such Event of Default has occurred and has not been (i) remedied to the satisfaction of the Trustee or (ii) waived by the Trustee or by an Extraordinary Resolution of the Bondholders;

**Corporate Services Agreement** means the corporate services agreement dated 9th June, 2021 and made between the Issuer and the Corporate Services Provider (as modified and/or supplemented and/or restated from time to time);

**Corporate Services Provider** means Intertrust Management Limited as corporate services provider pursuant to the Corporate Services Agreement or any successor corporate services provider appointed thereunder;

**Custodian** means The Bank of New York Mellon, London Branch as custodian pursuant to the Retained Bond Custody Agreement or any successor custodian appointed thereunder;

**Dealers** means the entities appointed as such pursuant to the Programme Agreement;

**Default Redemption** means a redemption pursuant to Condition 10.3 (*Early Redemption*) following the occurrence of a Loan Default Event under one or more Associated Loan Agreements;

**Due for Payment** has the meaning given in the Bond Guarantee;

**Event of Default** has the meaning given in Condition 13 (*Events of Default*);

**Extraordinary Resolution** has the meaning given in the Trust Deed;

**Guarantee Fee** has the meaning given to the term "Issuer Guarantor Fees" in the Bond Guarantee;

**Guaranteed Amount** has the meaning given to the term "Guaranteed Amounts" in the Bond Guarantee;

**Guaranteed Bonds** has the meaning given in the Bond Guarantee;

**Guarantor Security** means the security interests constituted or expressed to be constituted by the Issuer in respect of the whole of the Issuer's undertaking, property and assets, whatsoever and wheresoever situated, present and future, in favour of the Guarantor by or pursuant to the Issuer-Guarantor Security Deed;

**Guarantor Trigger Event** means (a) the Guarantor fails, following delivery of a Notice of Demand, to pay in accordance with the Bond Guarantee any Guaranteed Amounts which have become Due for Payment but which are unpaid by reason of Non-payment; (b) the Guarantor fails to pay an Accelerated Payment in full on the date such payment is due in accordance with Condition 10.7 (*Guarantor Accelerated Payments*); (c) the Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under the Bond Guarantee or seeks to do so; or (d) the Bond Guarantee ceases to be in full force and effect other than in circumstances where it has been replaced by a guarantee from another guarantor on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; and references to the Bond Guarantee in this definition shall mean any Bond Guarantee in respect of any Tranche of Bonds (whether in respect of the Tranche of Bonds of which this Bond forms part or another Tranche of Bonds and whether in respect of a Tranche of Bonds forming part of the Series of Bonds of which this Bond forms part or another Series of Bonds);

**Illegality Redemption** means a redemption pursuant to Condition 10.3 (*Early Redemption*) following the occurrence of a Loan Illegality Event under one or more Associated Loan Agreements;

**Issuer Expenses** means amounts due and payable by the Issuer (together in each case with interest and any applicable amounts in respect of VAT thereon) (i) in respect of fees and expenses (including indemnities) to the Trustee and any Appointee under the Trust Deed, (ii) to the Paying Agents under the Agency Agreement, (iii) to the Custodian under the Retained Bond Custody Agreement, (iv) to the Cash Manager under the Cash Management Agreement, (v) to the Account Bank under the Account Agreement, (vi) to the Concessionaire for the purposes of paying amounts due to the Primary Servicer under the Servicing Agreement, (vii) to the independent accountants, agents and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuer and any registered office fees), (viii) to any other person in respect of any governmental fee, charge or tax, (ix) to the Dealers in respect of any amounts payable in respect of indemnities under the Programme Agreement, (x) to the Rating Agency (in respect of fees and expenses in connection with the ratings of the Bonds, including the annual fees payable to the Rating Agency for monitoring such rating), (xi) to the Financial Conduct Authority and the London Stock Exchange in respect of the listing of the Bonds, (xii) to the Concessionaire under the Issuer Services Agreement, (xiii) to the Corporate Services Provider under the Corporate Services Agreement, (xiv) to the Liquidity Reserve Trustee under each Liquidity Reserve Fund Trust Deed and (xv) to any other person in respect of any other fees or expenses (including indemnities) permitted under the Trust Deed and the documents delivered pursuant to or in connection with the Trust Deed and the Bonds;

**Issuer-Guarantor Security Deed** means the security deed dated 9th June, 2021 and made between the Issuer and the Guarantor (as modified and/or supplemented and/or restated from time to time);

**Issuer Services Agreement** means the issuer services agreement dated 9th June, 2021 made between the Issuer and the Concessionaire (as modified and/or supplemented and/or restated from time to time);

**Liabilities** has the meaning given in the Trust Deed;

**Liquidity Reserve Fund Trust Deed** has the meaning given in the Cash Management Agreement;

**Liquidity Reserve Trustee** has the meaning given in the Cash Management Agreement;

**Loan** has the meaning given in the Concession Agreement;

**Loan Agreement** has the meaning given in the Concession Agreement;

**Loan Default Event** means an Associated Approved Borrower has become obliged to repay its Loan in full, in accordance with the terms of its Associated Loan Agreement, as a result of an event of default (howsoever defined) thereunder;

**Loan Illegality Event** means an Associated Approved Borrower has become obliged to repay its Loan in full, in accordance with the terms of its Associated Loan Agreement, as a result of (a) its obligations thereunder becoming unlawful in any applicable jurisdiction or contrary to any request from or requirement of any fiscal, monetary or other authority with which it is customary for the Associated Approved Borrower to comply, (b) it becoming unlawful for the Issuer or the Concessionaire to perform any of its obligations thereunder or to fund the relevant Loan or to allow the relevant Loan to remain outstanding or (c) it becoming unlawful under English law for the Issuer to comply with its obligations under the Bonds;

**Loan Tax Event** means an Associated Approved Borrower has exercised its right to repay its Loan in full, in accordance with the terms of its Associated Loan Agreement, as a result of it becoming obliged to pay to the Issuer or the Concessionaire additional amounts in respect of any deduction or withholding of tax or in respect of the Issuer or the Concessionaire becoming obliged to make any payment on account of tax;

**Loan Optional Repayment Event** means an Associated Approved Borrower has exercised its right to repay all or part of its Loan, in accordance with the terms of its Associated Loan Agreement, other than as a result of a Loan Tax Event;

**Non-payment** has the meaning given in the Bond Guarantee;

**Notice of Demand** has the meaning given in the Bond Guarantee;

**Optional Redemption** means a redemption pursuant to Condition 10.3 (*Early Redemption*) following the occurrence of a Loan Optional Repayment Event under one or more Associated Loan Agreements;

**Post-Enforcement Priority of Payments** has the meaning given in Condition 6.2 (*Post-enforcement*);

**Pre-Enforcement Priority of Payments** has the meaning given in the Cash Management Agreement;

**Primary Servicer** means The Bank of New York Mellon, London Branch as servicer pursuant to the Servicing Agreement or any successor servicer appointed thereunder;

**Principal Amount Outstanding** of a Bond on any date shall be its original nominal amount less the aggregate amount of all principal payments (including, without limitation, all Instalment Amounts) in respect of such Bond which have (i) become due and payable since its issue date except if and to the extent that any such payment has been improperly withheld or refused or (ii) been paid by the Guarantor as an Accelerated Payment;

**Programme Agreement** means the programme agreement dated 9th June, 2021 and made between the Issuer and the Dealers (as modified and/or supplemented and/or restated from time to time) and any Subscription Agreement entered into pursuant thereto;

**Programme Documents** means the Trust Deed, the Agency Agreement, the Retained Bond Custody Agreement, the Cash Management Agreement, the Account Bank Agreement, the Programme Agreement, the Corporate Services Agreement, the Issuer Services Agreement, the Subordination Deed and the Loan Agreements;

**Rating Agency** means Moody's Investors Service Limited (or any successor to its ratings business) or such other rating agency which has assigned a solicited rating to the Bonds;

**Relevant Date** means the date on which a payment first becomes due except that, if the full amount of the money payable has not been received by the Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 18 (*Notices*);

**Relevant Document** means each Programme Document and any other document (to which the Issuer is a party) referred to in Schedules 11 and 12 to the Concession Agreement;

**Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds, Receipts and Coupons;

**Retained Bond Custody Agreement** means the custody agreement relating to the Retained Bonds dated 9th June, 2021 and made between the Issuer and the Custodian, as modified and/or supplemented and/or restated from time to time;

**Retained Bonds** means any Bonds immediately purchased by the Issuer on the issue date thereof;

**Scheduled Interest** means interest payable by the Issuer to the holders of the Guaranteed Bonds or to the Trustee for the benefit of the holders of the Guaranteed Bonds under the Guaranteed Bonds as specified and calculated in accordance with the Guaranteed Bonds (as may be adjusted in accordance with the terms of the Guaranteed Bonds, but excluding any amendments that are not approved by the Guarantor in writing and disregarding any default interest, any indemnity payments or any prepayment or early redemption penalties);

**Scheduled Principal** means principal repayable by the Issuer to the holders of the Guaranteed Bonds or to the Trustee for the benefit of the holders of the Guaranteed Bonds under the Guaranteed Bonds as specified in the Guaranteed Bonds (as may be adjusted in accordance with the terms of the Guaranteed Bonds, but excluding any amendments that are not approved by the Guarantor in writing and disregarding any default interest, any indemnity payments or any prepayment or early redemption penalties);

**Security** means the security created pursuant to the Trust Deed, as described in Condition 5 (*Security*);

**Servicing Agreement** means the servicing and delegation agreement in respect of servicing of payments due to the Issuer pursuant to the Loan Agreements dated 9th June, 2021 and made between, amongst others, the Concessionaire and the Primary Servicer, as modified and/or supplemented and/or restated from time to time;

**Subordination Deed** means the subordination deed dated 9th June, 2021 made between the Issuer, the Cash Manager, the Trustee and the Guarantor (as modified and/or supplemented and/or restated from time to time);

**Sterling** means the lawful currency for the time being of the United Kingdom;

**Tax Redemption** means a redemption pursuant to Condition 10.3 (*Early Redemption*) following the occurrence of a Loan Tax Event under one or more Associated Loan Agreements;

**Taxes** means present or future taxes, duties, assessments or governmental charges in the nature of tax imposed or levied by or on behalf of a Relevant Jurisdiction; and

**UK Government Gilt** means Sterling denominated gilts or stock issued by or on behalf of Her Majesty's Treasury.

## 2. FORM, DENOMINATION AND TITLE

### 2.1 Form and Denomination

The Bonds are in bearer form, in Sterling and, in the case of definitive Bonds, serially numbered, in the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination.

This Bond may be a Fixed Rate Bond or a Floating Rate Bond, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Bond may also be an Instalment Bond, depending upon the Redemption Basis shown in the applicable Pricing Supplement.

### 2.2 Title

Subject as set out below, title to the Bonds, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Bond, without prejudice to the provisions set out in the next succeeding paragraph and none of the Issuer, the Guarantor, the Paying Agents or the Trustee shall be liable for so treating such bearer.

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be



conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Paying Agents and the Trustee as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated by the Issuer, the Guarantor, any Paying Agent and the Trustee as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions **Bondholder** and **holder of Bonds** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Bonds as aforesaid, each of the Trustee and the Paying Agents may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Bonds which are represented by a Global Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Pricing Supplement.

### **2.3 Retained Bonds**

Retained Bonds may be (in each case, together with the related Receipts, Coupons and Talons) purchased by and held by or for the account of the Issuer and may be sold or otherwise disposed of in whole or in part by private treaty at any time (including, without limitation, on a deferred settlement basis), and shall cease to be Retained Bonds to the extent of and upon such sale or disposal.

Retained Bonds shall, pending sale or disposal by the Issuer, carry the same rights and be subject in all respects to the same Conditions as the other Bonds, except that the Retained Bonds will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Bondholders or of considering the interests of the Bondholders save as otherwise provided in the Trust Deed. Bonds which have ceased to be Retained Bonds shall carry the same rights and be subject in all respects to the same Conditions as the other Bonds.

## **3. STATUS**

The Bonds and any Receipts and Coupons are direct and unconditional obligations of the Issuer, are secured in the manner set out in Condition 5 (*Security*), and rank *pari passu* among themselves.

## **4. BOND GUARANTEE**

### **4.1 Guarantee**

The payment of Scheduled Principal and Scheduled Interest in respect of the Bonds has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Bond Guarantee.

### **4.2 Subrogation of the Guarantor**

The Bond Guarantee provides that the Guarantor shall be subrogated to any right of the Trustee, the Bondholders, the Receiptholders and the Couponholders against the Issuer in respect of amounts due in respect of the Bonds which have been paid by the Guarantor under the Bond Guarantee.

## 5. SECURITY

### 5.1 Security

The Issuer's obligations in respect of all Series of Bonds are secured under the Trust Deed by a second ranking floating charge on the whole of the Issuer's undertaking, property and assets, whatsoever and wheresoever situated, present and future, in favour of the Trustee. Pursuant to the Subordination Deed, such second ranking floating charge will rank subordinate to the first ranking Guarantor Security.

### 5.2 Enforcement of security

The Security will become enforceable upon the service of notice by the Trustee to the Issuer following the occurrence of an Event of Default which is continuing as provided in Condition 13 (*Events of Default*), in which event the Trustee may, in its discretion, and if so requested in writing by holders of at least one-fifth in aggregate outstanding nominal amount of the Bonds of any Series (excluding any Retained Bonds) or by an Extraordinary Resolution of the Bondholders shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, and without any liability as to the consequence of such action and without having regard to individual Bondholders, Receiptholders or Couponholders, take action immediately to enforce such security (including without limitation converting the floating charge into a fixed charge), save that the Trustee may not take any insolvency proceedings against the Issuer except as permitted by the Subordination Deed.

## 6. ORDER OF PAYMENTS

### 6.1 Pre-enforcement

Subject as follows, payments by the Issuer in respect of the Bonds prior to the Bonds having become due and repayable in full and the Security being enforced (in the event that the Security has become enforceable in accordance with Condition 5.2 (*Enforcement of security*)) will be paid in accordance with the Pre-Enforcement Priority of Payments, save that payment of any principal amounts due and payable on the Bonds shall not be paid in accordance with the Pre-Enforcement Priority of Payments but shall instead be paid to, or to the order of, the Trustee for payment to the Bondholders.

Payments made by the Guarantor under the Bond Guarantee shall not be paid in accordance with the Pre-Enforcement Priority of Payments but shall instead be paid to, or to the order of, the Trustee for payment to the Bondholders, the Receiptholders and/or the Couponholders, as applicable.

### 6.2 Post-enforcement

The Trust Deed requires that all monies received by or on behalf of the Trustee following enforcement with respect to the Bonds (in the event that the Bonds have become due and repayable in full following an Event of Default as provided in Condition 13 (*Events of Default*)) and/or the Security (in the event that the Security has become enforceable in accordance with Condition 5.2 (*Enforcement of security*)) shall be applied according to the following priority (the **Post-Enforcement Priority of Payments**):

- (a) *first*, to the payment of all amounts owing to the Trustee, any Appointee and any receiver (including remuneration payable to the Trustee, any such Appointee and any such receiver) under the Trust Deed;
- (b) *second*, to pay to the Issuer the Issuer Profit Amount;

- (c) *third*, to the payment of all amounts owing to the Paying Agents under the Agency Agreement, the Custodian under the Retained Bond Custody Agreement, the Cash Manager under the Cash Management Agreement, the Account Bank under the Account Agreement, the Liquidity Reserve Trustee under each Liquidity Reserve Fund Trust Deed, the Corporate Services Provider under the Corporate Services Agreement, the Guarantor in respect of the Guarantee Fee, the Concessionaire for the purposes of paying amounts due to the Primary Servicer under the Servicing Agreement, and the Dealers in respect of indemnity amounts under the Programme Agreement, in each case as further set out in, and in the order of priorities set out in, the Cash Management Agreement;
- (d) *fourth*, to the payment of all amounts owing to the Concessionaire under the Issuer Services Agreement;
- (e) *fifth*, to the payment of any amounts due to any Secured Parties (other than those referred to elsewhere in this priority of payments);
- (f) *sixth*, to the payment on a *pari passu* and *pro rata* basis, of the interest due and payable on the Bonds;
- (g) *seventh*, to the payment on a *pari passu* and *pro rata* basis, of the principal due and payable on the Bonds;
- (h) *eighth*, to pay to the Guarantor Account amounts equal to the balance owing to the Guarantor (if any) pursuant to the Guarantor and Reimbursement Deed;
- (i) *ninth* to the payment of other amounts due to third party creditors of the Issuer that are not Secured Parties (including other Issuer Expenses), as further set out in the Cash Management Agreement; and
- (j) thereafter, as provided for in the Cash Management Agreement.

## 7. COVENANTS

In addition to certain other covenants of the Issuer set out in the Trust Deed, the Issuer has covenanted with the Trustee in the Trust Deed that, for so long as any of the Bonds remain outstanding, the Issuer shall not, without the prior written consent of the Trustee:

- (a) enter into any transaction;
- (b) carry on any business or operations;
- (c) acquire any assets, business or undertaking (or, in each case, any interest in them);
- (d) incur any actual or contingent indebtedness or liabilities;
- (e) sell, transfer, assign or dispose of any assets or part of its business, or take any action that would result in the disposal of any assets or part of its business;
- (f) create any security over all or any part of its assets or all or any part of its business other than (i) the Guarantor Security, (ii) the second ranking floating charge in favour of the Trustee created under the Trust Deed and (iii) security over its rights in relation to each Liquidity Reserve Account (as defined in the Cash Management Agreement) in favour of the Liquidity Reserve Trustee;

- (g) grant any interests or rights over all or any part of its assets or all or any part of its business;
- (h) change its registered office;
- (i) change its accounting reference date;
- (j) issue any shares, make any rights issue, redeem, repurchase, defease, retire or repay any of its share capital or declare, make or pay any dividend (other than any dividend to be paid out of the Issuer Profit Amount (as defined in the Cash Management Agreement)), charge, fee or other distribution (whether in cash or in kind);
- (k) make any loans, grant any credit or give any guarantee or indemnity;
- (l) give or create any option;
- (m) enter into any amalgamation, de-merger, merger, consolidation or reconstruction;
- (n) surrender any losses;
- (o) have any employees (other than directors) or hold any premises;
- (p) have any Subsidiary;
- (q) be a director of any company; or
- (r) hold any interest in any bank account,

other than (where applicable) (i) pursuant to the exercise of its rights and the performance of its obligations under, and the entry into transactions contemplated by, any Relevant Document and any activity reasonably incidental thereto or necessary in connection therewith, (ii) the taking of action required in connection with its incorporation or the maintenance of its corporate existence or governance and (iii) the making or paying of any distributions in respect of profits made by the Issuer in connection with a purchase of Bonds by the Issuer pursuant to Condition 10.6 (*Purchase of Bonds by the Issuer*).

## **8. INTEREST**

The applicable Pricing Supplement will indicate whether the Bonds are Fixed Rate Bonds or Floating Rate Bonds.

### **8.1 Interest on Fixed Rate Bonds**

This Condition 8.1 applies to Fixed Rate Bonds only. The applicable Pricing Supplement contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 8.1 for full information on the manner in which interest is calculated on Fixed Rate Bonds. In particular, the applicable Pricing Supplement will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date (where applicable), the Expected Maturity Date (where applicable), the Legal Maturity Date (where applicable), the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Interest Determination Date.

Each Fixed Rate Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity

Date or, where Expected Maturity Date and Legal Maturity Date are specified as applicable in the applicable Pricing Supplement, up to (and including) the Legal Maturity Date.

If the Bonds are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Bonds in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Bonds which are represented by a Global Bond, the aggregate outstanding nominal amount (or, in the case of Instalment Bonds, the Aggregate Principal Amount Outstanding) of the Fixed Rate Bonds represented by such Global Bond; or
- (b) in the case of Fixed Rate Bonds in definitive form, the Calculation Amount (or, in the case of Instalment Bonds, the Calculation Amount Outstanding);

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest penny, half a penny being rounded upwards. Where the Specified Denomination of a Fixed Rate Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount (or the Calculation Amount Outstanding, as applicable) and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In this Condition 8.1:

**Day Count Fraction** means (unless otherwise specified in the applicable Pricing Supplement):

- (i) in the case of Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Interest Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Interest Determination Period and (II) the number of Interest Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
- (ii) in the case of Bonds where the Accrual Period is longer than the Interest Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Interest Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Interest Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Interest Determination Period divided by the product of (x) the number of days in such Interest

Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

**Interest Determination Period** means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date).

## 8.2 Interest on Floating Rate Bonds

### (a) Interest Payment Dates

This Condition 8.2 applies to Floating Rate Bonds only. The applicable Pricing Supplement contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 8.2 for full information on the manner in which interest is calculated on Floating Rate Bonds. In particular, the applicable Pricing Supplement will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Maturity Date (if applicable), the Legal Maturity Date (if applicable), the Expected Maturity Date (if applicable), the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin and any maximum or minimum interest rates. Where ISDA Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Pricing Supplement will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Bond bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then (unless otherwise specified in the applicable Pricing Supplement), such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Bonds will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Bonds

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Bonds (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Bonds

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation

appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(c) **Benchmark Replacement**

This Condition 8.2(c) applies only where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined.

(i) Independent Adviser

Notwithstanding Condition 8.2(b), if the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine no later than five Business Days prior to the relevant Interest Determination Date (the **IA Determination Cut-off Date**), following consultation with the Issuer and the Guarantor, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 8.2(c)(ii) and, in either case, an Adjustment Spread (in accordance with Condition 8.2(c)(iii)) and any Benchmark Amendments (in accordance with Condition 8.2(c)(iv)).

An Independent Adviser appointed pursuant to this Condition 8.2(c) shall act in good faith and in a commercially reasonable manner in consultation with the Issuer and the Guarantor. In the absence of wilful default, bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Bondholders, the Trustee, the Agent or the other Paying Agents for any determination it makes pursuant to this Condition 8.2(c). No Independent Adviser appointed in connection with the Bonds (acting in such capacity) shall have any relationship of agency or trust with the Bondholders.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 8.2(c)(i) prior to the IA Determination Cut-off Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Bonds in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the immediately preceding Interest Period, the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to that immediately preceding Interest Period. For the avoidance of doubt, this sub-paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.2(c).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser, following consultation with the Issuer and acting in good faith and in a commercially reasonable manner, determines that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 8.2(c)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the further operation of this Condition 8.2(c)); or



(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 8.2(c)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the subsequent operation of this 8.2(c)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

Following any such determination by the Independent Adviser, following consultation with the Issuer and the Guarantor, of the Adjustment Spread, the Issuer shall give notice thereof in accordance with Condition 8.2(c)(v). The Agent shall apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and Adjustment Spread is determined in accordance with this Condition 8.2(c) and the Independent Adviser, following consultation with the Issuer and the Guarantor and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Conditions, the Trust Deed or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Independent Adviser and subject to the consent of the Guarantor (unless a Guarantor Trigger Event has occurred and is continuing) and to the Issuer giving notice thereof in accordance with Condition 8.2(c)(v), without any requirement for the consent or approval of Bondholders, the Receiptholders or the Couponholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an authorised signatory of the Issuer pursuant to Condition 8.2(c)(v), each of the Trustee and the Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Bondholders, the Receiptholders or the Couponholders, be obliged to use its reasonable endeavours to implement any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed or the Agency Agreement) and each of the Trustee and the Agent shall not be liable to any party for any consequences thereof; notwithstanding the above, neither the Trustee nor the Agent shall be obliged so to implement, if in the opinion of the Trustee or the Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Trust Deed and/or the Agency Agreement and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 8.2(c)(iv), the Issuer, the Guarantor and the Independent Adviser shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

If, in the case of any Benchmark Event, any Successor Rate, Alternative Rate and/or Adjustment Spread is notified to the Agent and the other Paying Agents pursuant to Condition 8.2(c)(v), and the Agent or the other Paying Agents, as applicable, is in any way uncertain as to the application of such

Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any interest rate, it shall promptly notify the Issuer thereof and the Issuer shall direct the Agent or the other Paying Agents, as applicable, in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such interest rate. If the Agent or the other Paying Agents, as applicable, is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Agent or the other Paying Agents, as applicable shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(v) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 8.2(c) will be notified no later than the IA Determination Cut-off Date by the Issuer to the Trustee, the Agents, the other Paying Agents and, in accordance with Condition 18 (*Notices*), the Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Agent of the same, the Issuer shall deliver to the Trustee and the Agent a certificate signed by an authorised signatory of the Issuer:

- (A) confirming (I) that a Benchmark Event has occurred, (II) the Successor Rate or, as the case may be, the Alternative Rate, (III) any Adjustment Spread and (IV) the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 8.2(c);
- (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread; and
- (C) certifying (unless a Guarantor Trigger Event has occurred and is continuing) that the Guarantor has given its consent to the Benchmark Amendments.

Each of the Trustee and the Agent shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the ability of the Trustee and the Agent to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Agent, the other Paying Agents and the Bondholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer, the Guarantor or the Independent Adviser under Conditions 8.2(c)(i), (ii), (iii), (iv) and (v), the Original Reference Rate and the fallback provisions provided for in Condition 8.2(b) and the Agency Agreement will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred and each of the Trustee and the Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the Adjustment Spread and any Benchmark Amendments, in accordance with Condition 8.2(c)(v).

(vii) Definitions

As used in this Condition 8.2(c):

**Adjustment Spread** means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, following consultation with the Issuer and the Guarantor and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Bondholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) (if no recommendation referred to in (a) above has been made, or in the case of an Alternative Rate) the Independent Adviser, following consultation with the Issuer and the Guarantor and acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) (if the Independent Adviser, in consultation with the Issuer and the Guarantor, determines that no industry standard referred to in (b) above is recognised or acknowledged) the Independent Adviser, in its discretion, following consultation with the Issuer and the Guarantor and acting in good faith and in a commercially reasonable manner, determines to be appropriate;

**Alternative Rate** means an alternative benchmark or screen rate which the Independent Adviser, following consultation with the Issuer and the Guarantor and acting in good faith and in a commercially reasonable manner, determines in accordance with Condition 8.2(c)(ii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in Sterling;

**Benchmark Amendments** has the meaning given to it in Condition 8.2(c)(iv);

**Benchmark Event** means;

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (b) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the date specified in (i); or

- (c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that (i) the Original Reference Rate has been permanently or indefinitely discontinued or (ii) the Original Reference Rate is no longer representative of an underlying market; or
- (d) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the date specified in (i); or
- (e) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will, on or before a specified date, be prohibited from being used either generally, or in respect of the Bonds and (ii) the date falling six months prior to the date specified in (i); or
- (f) it has or will prior to the next Interest Determination Date become unlawful for the Agent or the Issuer to determine any Rate of Interest and/or calculate any payments due to be made to any Bondholders using the Original Reference Rate;

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer (following consultation with the Guarantor) at its own expense under Condition 8.2(c)(i) and notified in writing to the Trustee;

**Original Reference Rate** means the benchmark or screen rate (as applicable) specified in the applicable Pricing Supplement for the purposes of determining the relevant Rate of Interest (or any component part(s) thereof) in respect of the Bonds or (if applicable) any other successor or alternative rate (or any component part(s) thereof) determined and applicable to the Bonds pursuant to the earlier operation of this Condition 8.2(c);

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (a) the Bank of England, or any other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the Bank of England, (b) any other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of central banks or other supervisory authorities of which the Bank of England or any aforementioned supervisory authority is a member or (d) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

**(d) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(e) Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Bonds for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Bonds which are represented by a Global Bond, the aggregate outstanding nominal amount (or, in the case of Instalment Bonds, the Aggregate Principal Amount Outstanding) of the Bonds represented by such Global Bond; or
- (B) in the case of Floating Rate Bonds in definitive form, the Calculation Amount (or, in the case of Instalment Bonds, the Calculation Amount Outstanding);

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest penny, half a penny being rounded upwards. Where the Specified Denomination of a Floating Rate Bond in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount (or the Calculation Amount Outstanding, as applicable) and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In this Condition 8.2:

**Day Count Fraction** means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365).

**(f) Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

**(g) Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the Trustee and any stock exchange on which the relevant Floating Rate Bonds are for the time being listed and notice thereof to be published in accordance with Condition 18 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Bonds are for the time being listed and to the Bondholders in accordance with Condition 18 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(h) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8.2 by the Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Agent, the other Paying Agents and all Bondholders, Receipholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Trustee, the Bondholders, the Receipholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**8.3 Accrual of interest**

Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Bond have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Bond has been received by the Agent and notice to that effect has been given to the Bondholders in accordance with Condition 18 (*Notices*).

**9. PAYMENTS**

**9.1 Method of payment**

Subject as provided below, payments will be made by credit or transfer to a Sterling account maintained by the payee with, or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## 9.2 Presentation of definitive Bonds, Receipts and Coupons

Subject as provided below in respect of Instalment Bonds, payments of principal in respect of definitive Bonds will (subject as provided below) be made in the manner provided in Condition 9.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bonds, and payments of interest in respect of definitive Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

In respect of Instalment Bonds, payments of instalments of principal in respect of definitive Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 9.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 9.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bond to which it appertains. Receipts presented without the definitive Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Bonds in definitive form (other than Long Maturity Bonds (as defined below) should be presented for payment (in respect of a final payment of principal) together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Bond in definitive form becoming due and repayable prior to its Maturity Date or Legal Maturity Date, as applicable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Bond or Long Maturity Bond in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Bond** is a Fixed Rate Bond (other than a Fixed Rate Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Bond shall cease to be a Long Maturity Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Bond.

If the due date for redemption of any definitive Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bond.

### **9.3 Payments in respect of Global Bonds**

Payments of principal and interest (if any) in respect of Bonds represented by any Global Bond will (subject as provided below) be made in the manner specified above in relation to definitive Bonds or otherwise in the manner specified in the relevant Global Bond, where applicable, against presentation or surrender, as the case may be, of such Global Bond at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Bond by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **9.4 General provisions applicable to payments**

The holder of a Global Bond shall be the only person entitled to receive payments in respect of Bonds represented by such Global Bond and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Bonds represented by such Global Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Bond.

### **9.5 Payment Day**

If the date for payment of any amount in respect of any Bond, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 12 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London; and
- (b) in the case of Bonds in definitive form only, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation.

### **9.6 Interpretation of principal**

Any reference in the Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) in relation to Instalment Bonds, the Instalment Amounts; and
- (b) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Bonds.

## **10. REDEMPTION AND PURCHASE**

### **10.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Bond will be redeemed by the Issuer at its principal amount on:



- (a) where the applicable Pricing Supplement specifies that the Expected Maturity Date and the Legal Maturity Date are not applicable, the Maturity Date specified in the applicable Pricing Supplement; or
- (b) where the applicable Pricing Supplement specifies that the Expected Maturity Date and the Legal Maturity Date are applicable, the Expected Maturity Date or, if the Bonds are not redeemed on the Expected Maturity Date, the Bonds will be redeemed:
  - (i) on each date which is ten Business Days after payment under the Associated Loan Agreement is made by, or such amount is otherwise recovered from, an Approved Borrower under or in respect of such Associated Loan Agreement following the Expected Maturity Date in a corresponding amount; or if later,
  - (ii) on the Legal Maturity Date, in respect of all amounts of interest and principal outstanding as at the Legal Maturity Date.

All interest accrued on the Bonds will be paid in accordance with the Pre-Enforcement Priority of Payments on each Interest Payment Date to and including the Legal Maturity Date, until redemption and payment in full of all amounts (including principal and interest) payable in respect of the relevant Bonds.

## **10.2 Instalment Bonds**

Instalment Bonds will be redeemed in the Instalment Amounts on the Instalment Dates specified in the applicable Pricing Supplement.

## **10.3 Early Redemption**

If any Loan has been prepaid in whole or in part prior to the relevant repayment date as specified in the relevant Associated Loan Agreement, then the Issuer shall (provided, in the case of a Default Redemption only, that it has received a Default Redemption Instruction from the Guarantor) redeem the relevant Series of Bonds (or part thereof) in an aggregate nominal amount equal to the nominal amount of the Loan prepaid on the date which is (i) in the case of an Illegality Redemption, a Tax Redemption or an Optional Redemption, seven Business Days after that on which payment is made by the Associated Approved Borrower under that Associated Loan Agreement and (ii) in the case of a Default Redemption, 15 Business Days following receipt by the Issuer of a Default Redemption Instruction, provided that (in either case) no such redemption shall be required if the Issuer otherwise applies such monies in the purchase and cancellation of Bonds pursuant to Conditions 10.6 (*Purchase of Bonds by the Issuer*) and 10.8 (*Cancellation*) before such date. Redemption of the Bonds pursuant to this Condition shall (unless otherwise specified in the applicable Pricing Supplement):

- (a) in the case of Fixed Rate Bonds:
  - (i) in the case of an Illegality Redemption or a Tax Redemption, be made at par (or, in the case of Instalment Bonds, their Principal Amount Outstanding); or
  - (ii) in the case of a Default Redemption or an Optional Redemption, be made at the higher of the following:
    - (A) par (or, in the case of Instalment Bonds, their Principal Amount Outstanding); and

- (B) the amount (as calculated by a financial adviser nominated by the Issuer and notified to the Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer, the Cash Manager, the Guarantor and the Trustee) which is equal to the principal amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity (being, for the avoidance of doubt, the Maturity Date or the Expected Maturity Date, as applicable) on the Determination Date would be equal to the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt; and
- (b) in the case of Floating Rate Bonds, be made at par (or, in the case of Instalment Bonds, their Principal Amount Outstanding),

in each case, together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

**Benchmark Gilt** means the UK Government Gilt specified as the Benchmark Gilt in the applicable Pricing Supplement or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine to be the most appropriate benchmark conventional UK Government Gilt (including with respect to its average life or maturity, as applicable);

**Default Redemption Instruction** means an irrevocable notice from the Guarantor to the Trustee and the Issuer (with a copy to the Cash Manager and the Concessionaire) instructing the Issuer to apply a specified aggregate amount of receipts received by the Issuer pursuant to an Associated Loan Agreement to redeem Bonds pursuant to this Condition 10.3 following the occurrence of a Loan Default Event under such Associated Loan Agreement. In the event that any Default Redemption Instruction is delivered by the Guarantor on the same date as a notice from the Guarantor is delivered in accordance with Condition 10.7, the Default Redemption Instruction shall also contain the information required to be contained in the notice to be delivered by the Guarantor in accordance with Condition 10.7 ;

**Determination Date** means the twelfth dealing day prior to the due date for redemption of the Bonds; and

**Gross Redemption Yield** means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" on page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8<sup>th</sup> June, 1998 and updated on 15<sup>th</sup> January, 2002 and 16<sup>th</sup> March, 2005) (as amended or supplemented from time to time).

Notice of any such redemption as is provided in this Condition 10.3 shall be given by the Issuer to the Trustee, the Guarantor, the Paying Agent and the Bondholders as promptly as practicable.

#### **10.4 Partial Redemption**

In the case of a partial redemption of Bonds in definitive form, Bonds to be redeemed will be selected in such place as the Trustee may approve and in such manner and at such time as the Trustee may deem appropriate and fair. Notice of any such selection will be given by the Issuer to the

Bondholders as promptly as practicable. Each notice will specify the date fixed for redemption and the aggregate nominal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

In the case of Bonds which are represented by a Global Bond (and such Global Bond is/are held on behalf of Euroclear and/or Clearstream, Luxembourg), no selection of Bonds will be required under this Condition 10.4. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond are to be subject to such redemption (and such redemption shall be reflected in the records of Euroclear and Clearstream, Luxembourg as either a reduction in the principal amount of the Bonds or a reduction by the application of a pool factor at the discretion of Euroclear and Clearstream, Luxembourg).

#### **10.5 Purchases of Bonds by an Associated Approved Borrower**

Any Associated Approved Borrower may at any time purchase Bonds on the London Stock Exchange or by tender or by private treaty at any price. Following any such purchase, such Associated Approved Borrower may surrender the Bonds to the Issuer to be cancelled. An amount equal to the nominal amount of the Bonds being surrendered shall be deemed prepaid under such Associated Approved Borrower's Associated Loan Agreement (but, for the avoidance of doubt, without triggering a redemption under Condition 10.3). Such surrendered and cancelled Bonds shall not be available for reissue.

#### **10.6 Purchase of Bonds by the Issuer**

The Issuer may at any time purchase Bonds in the open market or otherwise at any price.

#### **10.7 Guarantor Accelerated Payments**

The Bond Guarantee provides that the Guarantor may at any time by giving no less than 15 Business Days' notice to the Trustee and the Issuer (with a copy to the Cash Manager and the Concessionaire), which notice shall be irrevocable, elect at its sole option to make an Accelerated Payment, in which case the Issuer shall apply the Accelerated Payment to redeem all or some only of the Bonds (as specified by the Guarantor) at the amount described in:

- (a) Condition 10.3(a)(ii) in the case of Fixed Rate Bonds (with any redemption pursuant to this Condition 10.7 deemed to be an Optional Redemption for such purpose); or
- (b) Condition 10.3(b) in the case of Floating Rate Bonds,

in either case together with any interest accrued up to (but excluding) the date of redemption.

Upon receipt of such notice the Issuer shall give notice of the redemption to the Paying Agent and the Bondholders as promptly as practical.

The Guarantor shall specify in any notice of Accelerated Payment delivered to the Trustee and the Issuer as described above the applicable Series of Bonds to which such notice relates and the date for redemption of the relevant Bonds and the Guarantor shall (in the case of Fixed Rate Bonds, following written notification to the Guarantor by the Issuer (or on its behalf) of the redemption price payable in respect of such Bonds) at least five Guarantor Business Days in advance of the date fixed for redemption pay in full the amount of such Accelerated Payment in accordance with the terms of the Bond Guarantee and the Cash Management Agreement, following which the Bonds specified by the Guarantor in such notice shall be redeemed by the Issuer on the date specified for

redemption therein. For the avoidance of doubt, the obligation to pay the relevant redemption amount to the Bondholders shall be an obligation of the Guarantor alone and shall constitute an Accelerated Payment.

The entitlement of the Guarantor to make an Accelerated Payment in the circumstances described in this Condition 10.7 is not dependent on the Guarantor receiving a duly completed Notice of Demand.

For the avoidance of doubt, Bonds may be (but are not required to be) redeemed pursuant to this Condition 10.7 on the same date as Bonds are redeemed pursuant to Condition 10.3 and the aggregate amount so redeemed may be less than the aggregate nominal amount of the Bonds outstanding.

## **10.8 Cancellation**

All Bonds which are redeemed by the Issuer pursuant to Condition 10.3, purchased by the Issuer pursuant to Condition 10.6 (other than Retained Bonds) or redeemed by the Issuer on the instruction of the Guarantor as described in Condition 10.7 will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption) and may not be reissued or resold.

The Issuer may cancel any Retained Bonds held by it or on its behalf at any time.

## **11. TAXATION**

All payments of principal and interest in respect of the Bonds, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future Taxes unless such withholding or deduction is required by law. In such event, neither the Issuer nor the Guarantor will be obliged to make any additional payments to Bondholders, Receiptholders or Couponholders in respect of such withholding or deduction. Any such withholding or deduction will not constitute an Event of Default under Condition 13 (*Events of Default*).

All payments under the Bond Guarantee by the Guarantor (including any Accelerated Payments) will be made without withholding or deduction for or on account of any United Kingdom Taxes unless such withholding or deduction is required by law. In such event, the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted, all as more fully set out in the Bond Guarantee.

## **12. PRESCRIPTION**

The Bonds, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 9.2 (*Presentation of definitive Bonds, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 9.2 (*Presentation of definitive Bonds, Receipts and Coupons*).

## **13. EVENTS OF DEFAULT**

If any Event of Default (as defined below) occurs and is continuing, then the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth of the aggregate outstanding nominal amount of the Bonds (excluding any Retained Bonds) or if so requested by an Extraordinary

Resolution of the Bondholders shall (in each case, subject to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly immediately become, due and repayable at par (or, in the case of Instalment Bonds, their Principal Amount Outstanding) together with accrued interest. Upon the service of such notice, the security shall become enforceable as referred to in Condition 5.2 (*Enforcement of security*). Each of the following events shall, following the occurrence of a Guarantor Trigger Event that is continuing, and, together, where applicable, with the certification by the Trustee, be an **Event of Default**:

- (a) default is made by both the Issuer and Guarantor (or, in the case of an Accelerated Payment due in accordance with Condition 10.7, by the Guarantor alone) (i) for a period of 10 days in the payment when due of any monies payable on redemption of the whole or any part of the Bonds of any Series or (ii) for a period of 14 days in the payment of any interest due on the Bonds of any Series (in each case, for the avoidance of doubt, whether in respect of a Series of Bonds of which this Bond forms part or another Series of Bonds);
- (b) if the Issuer fails to perform or observe any of its other obligations under the Bonds, the Coupons or the Trust Deed, the breach of which obligation the Trustee certifies to be materially prejudicial to the interests of the Bondholders, and (except in any case where the Trustee considers the failure to be incapable of remedy or certifies that in its opinion any delay would be materially prejudicial to the interests of the Bondholders when no continuation or notice as is hereinafter mentioned will be required) such failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee upon the Issuer of notice requiring the same to be remedied;
- (c) if any order shall be made by any competent court or any resolution passed for the winding up or dissolution of the Issuer (save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Trustee) or the Issuer becomes unable to pay its debts as and when they fall due, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 (excluding, for this purpose, any debts which have the benefit of a guarantee from the Guarantor);
- (d) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order), is not discharged within 20 days;
- (e) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

- (f) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (c) to (e) above.

## **14. EXERCISE AND ENFORCEMENT**

### **14.1 Exercise and Enforcement**

As more particularly provided in the Trust Deed, the Trustee will not be bound as against the Bondholders to take any action or proceedings (whether to enforce all or any of the Security or otherwise) unless:

- (a)
  - (i) prior to the occurrence of a Guarantor Trigger Event that is continuing, it has been directed in writing by the Guarantor; and
  - (ii) following the occurrence of a Guarantor Trigger Event that is continuing, it has been so requested in writing by the holders of at least one-fifth of the outstanding nominal amount of the Bonds (excluding any Retained Bonds) or has been so requested by an Extraordinary Resolution of the Bondholders; and
- (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee may not take any insolvency proceedings against the Issuer except as permitted by the Subordination Deed.

### **14.2 Action by Bondholders**

No Bondholder may take any action (a) against the Issuer to enforce its rights in respect of the Bonds or to enforce all or any of the Security or (b) against the Guarantor to enforce its rights in respect of the Bond Guarantee, in each case unless the Trustee fails or is unable to do so within 60 days and such failure and/or inability is continuing. No Bondholder may take insolvency proceedings against the Issuer in any circumstances.

## **15. REPLACEMENT OF BONDS, RECEIPTS, COUPONS AND TALONS**

Should any Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Agent may reasonably require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **16. PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Pricing Supplement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent; and

- (b) so long as the Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Notice of any variation, termination, appointment or change in Paying Agents will be given to the Bondholders promptly by the Issuer in accordance with Condition 18 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **17. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bond to which it appertains) a further Talon, subject to the provisions of Condition 12 (*Prescription*).

## **18. NOTICES**

All notices regarding the Bonds will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Bonds are issued, there may, so long as any Global Bonds representing the Bonds are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Bonds and, in addition, for so long as any Bonds are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Bonds on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

## **19. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

### **19.1 Controlling Rights of the Guarantor prior to a Guarantor Trigger Event that is continuing**

In relation to any matter other than a Bondholder Entrenched Right, provided that no Guarantor Trigger Event has occurred and is continuing, the Guarantor shall have the right to direct the Trustee

in writing in respect of all matters relating to these Conditions, the Trust Deed, the other Programme Documents and the Bond Guarantee to the exclusion of any equivalent right of the Bondholders or any other person; provided that the Trustee shall not be bound by any such direction unless it is first indemnified and/or secured and/or pre-funded to its satisfaction in respect of any Liabilities which, in its opinion, it may incur in acting in accordance with such direction.

## **19.2 Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of the Bondholders (including by way of audio or video conference call) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Trust Deed, the other Programme Documents or the Bond Guarantee. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than 10 per cent. in nominal amount of the Bonds for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the nominal amount of the Bonds so held or represented, except that at any meeting the business of which includes any Basic Terms Modification (as defined in the Trust Deed), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Bonds for the time being outstanding. The Trust Deed does not contain any provisions requiring higher quorums in any other circumstances. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders will be binding on all the Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

## **19.3 Modification, Waiver, Authorisation and Determination**

Prior to the occurrence of a Guarantor Trigger Event that is continuing, the Trustee shall (without the consent of, and without incurring any liability to the Bondholders, the Receiptholders or the Couponholders), if so directed in writing by the Guarantor, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the other Programme Documents or the Bond Guarantee; provided that (a) the subject matter is not a Bondholder Entrenched Right and (b) such modification does not, in the sole opinion of the Trustee, impose upon the Trustee more onerous obligations or liabilities the repayment of which are not, within a reasonable time, in its opinion assured to it or decrease or amend the rights and/or protective provisions afforded to it in any way.

Following the occurrence of a Guarantor Trigger Event that is continuing, the Trustee may, without the consent of the Bondholders, the Receiptholders or the Couponholders (i) subject to confirmation from the Rating Agency that its then current rating of the Bonds would not be adversely affected and provided that the subject matter is not a Bondholder Entrenched Right, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the other Programme Documents or the Bond Guarantee or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall



not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or (ii) agree to any modification which, in its opinion, is of a formal, minor or technical nature or made to correct a manifest error.

In addition, the Trustee shall (subject to the provisions of Condition 8.2(c) (*Benchmark Replacement*)) be obliged to use its reasonable endeavours to implement any modifications to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to Condition 8.2(c) (*Benchmark Replacement*) in connection with effecting any Benchmark Amendments without the requirement for the consent or sanction of the Bondholders, the Receiptholders or the Couponholders provided, however, that it shall not be obliged so to implement, if in its opinion doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities, liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Trust Deed and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way. Any such modification shall be binding on the Bondholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Bondholders as soon as practicable thereafter, in accordance with Condition 18 (*Notices*).

No modification of these Conditions, the Trust Deed or the other Programme Documents shall be binding on the Guarantor unless it has given its consent thereto (whether or not a Guarantor Trigger Event has occurred).

#### **19.4 Trustee to have Regard to Interests of Bondholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Bondholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders, Receiptholders or Couponholders.

#### **19.5 Substitution**

The Trustee may, without the consent of the Bondholders (but with the prior written consent of the Guarantor), agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Receipts, the Coupons and the Trust Deed of another company, subject to (a) the Bonds continuing to be unconditionally and irrevocably guaranteed as to scheduled principal and interest by the Guarantor (or any substitute appointed in accordance with the Bond Guarantee), (b) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

#### **19.6 Notification to the Bondholders**

Any modification, waiver, authorisation or determination shall be binding on the Bondholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

## **20. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and any Approved Borrower and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **21. FURTHER FUNGIBLE ISSUES**

The Issuer shall be at liberty from time to time with the prior written consent of the Guarantor but without the consent of the Bondholders, the Receiptholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Bonds.

## **22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **23. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **23.1 Governing law**

The Programme Documents, the Bonds, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Programme Documents, the Bonds, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

### **23.2 Submission to jurisdiction**

- (a) Subject to Condition 23.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Bonds, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Bonds, the Receipts and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Bondholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 23.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

- (c) To the extent allowed by law, the Trustee, the Bondholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **23.3 Other documents and the Guarantor**

The Issuer and, where applicable, the Guarantor have in the other Programme Documents submitted to the jurisdiction of the English courts.

## DESCRIPTION OF THE ISSUER

### Incorporation and Status

Saltaire Finance plc (the **Issuer**) is a public limited company incorporated in England with registered number 12967182 on 22nd October, 2020 under the Companies Act 2006.

The registered address of the Issuer is 1 Bartholomew Lane, London, EC2N 2AX and its telephone number is 020 7398 6300. The Issuer has no subsidiaries.

### Principal Activities of the Issuer

The Issuer was established to raise debt for the purpose of on lending to Private Registered Providers as defined in Section 80(3) of the Housing and Regeneration Act 2008 that satisfy the eligibility criteria set out in the rules of the Affordable Homes Guarantee Scheme of the Guarantor.

The Secretary of State for Housing, Communities and Local Government has granted a concession to Saltaire Housing Ltd (the **Concessionaire**) on 16th October, 2020 for the management and delivery of the Affordable Homes Guarantee Scheme, for the period to 31st December, 2059 (or as extended).

The Concessionaire is a private limited company incorporated in England with registered number 12674461 on 16th June, 2020 under the Companies Act 2006.

### Directors

The directors of the Issuer and their principal activities outside the Issuer are:

Name	Principal activities
Helena Whitaker	Director
Intertrust Directors 1 Limited	Corporate Director
Intertrust Directors 2 Limited	Corporate Director

The business address of each of the directors is 1 Bartholomew Lane, London, EC2N 2AX.

The secretary of the Issuer is Intertrust Corporate Services Limited whose business address is 1 Bartholomew Lane, London, EC2N 2AX.

### Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 50,000 shares of £1 each, with 1 share being fully paid and 49,999 shares paid up to 25 pence. Intertrust Corporate Services Limited holds all of the shares of the Issuer in its capacity as Share Trustee.

### Corporate Services Provider

The Issuer has entered into a Corporate Services Agreement dated 9th June, 2021 with Intertrust Management Limited, a private limited company with its registered office at 1 Bartholomew Lane, London, EC2N 2AX (registered number 03853947), to provide corporate services to the Issuer.

The Corporate Services Provider has agreed, pursuant to and on the terms of the Corporate Services Agreement, to provide certain corporate administration services to the Issuer, including the provisions of directors and the secretary. Fees are payable to Intertrust Management Limited thereunder.

The directors receive no remuneration from the Issuer for their services nor do they hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer. The directors are provided as part of the Corporate Services Provider's overall corporate administration service provided to the Issuer pursuant to the Corporate Services Agreement.

The directors of the Issuer may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorship he or she may hold.

### **Operations**

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Programme Memorandum.

## **DESCRIPTION OF THE GUARANTOR**

The Secretary of State for Housing, Communities and Local Government is the holder of one of the principal offices of Her Majesty's Government of the United Kingdom of Great Britain and Northern Ireland. The Secretary of State for Housing, Communities and Local Government was incorporated by the Secretaries of State for Health and Social Care and for Housing, Communities and Local Government and Transfer of Functions (Commonhold Land) Order 2018 and the functions of the Secretary of State for Communities and Local Government were transferred to him with effect from 11th April, 2018.

Obligations assumed by the Secretary of State in his official capacity are enforceable against the incorporated office of the Secretary of State, not the office holder personally. The Secretary of State acts for and on behalf of Her Majesty's Government for the purposes of creating legal, valid and binding obligations in relation to, *inter alia*, the Bond Guarantee and therefore obligations of the Secretary of State under the Bond Guarantee are obligations of Her Majesty's Government.

The United Kingdom Government currently has a sovereign credit rating of "AA" by S&P Global Ratings UK Limited, "AA-" by Fitch Ratings Limited and "Aa3" by Moody's.

## TAXATION

### United Kingdom Taxation

*The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current law and HM Revenue & Customs (HMRC) published practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Bonds. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future, possibly with retrospective effect. This summary does not constitute legal or tax advice and prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

Payments of interest by the Issuer on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds 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. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds are and remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid by the Issuer without withholding or deduction on account of United Kingdom tax where the maturity of the Bonds is less than 365 days and those Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases (and unless another exemption applies), an amount must generally be withheld from payments of interest on the Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The Issuer understands that it is not clear whether, as a matter of current United Kingdom law, payments under the Bond Guarantee would be subject to any deduction of or withholding on account of United Kingdom income tax. Any such deduction or withholding would be subject to (i) such relief as might be available under the provisions of any double taxation treaty or any other relief that might apply and (ii) the obligation of the Guarantor under the terms of the Bond Guarantee to pay additional amounts (save in limited circumstances) to cover the amounts deducted or withheld.

### 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" (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to

instruments such as the 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, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Bonds 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 published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Bonds (as described under Condition 21 (*Further Fungible Issues*)) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the 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 as a result of the withholding.

### **The proposed financial transactions tax (FTT)**

On 14<sup>th</sup> February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

***Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.***



## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 9th June, 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Bonds. Any such agreement will extend to those matters stated under "*Conditions of the Bonds*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### *United States*

The Bonds have not been and will not be registered under the Securities Act and may not be offered, sold, resold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Bonds (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Bonds on a syndicated basis, the relevant lead manager, of all Bonds of the Tranche of which such Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Bonds, an offer or sale of such Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### *Prohibition of sales to EEA Retail Investors*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Programme Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) 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 MiFID II; or
  - (ii) a customer within the meaning of 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; 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.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Bonds which have a maturity of less than one year, (i) 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 any 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 Financial Services and Markets Act 2000 (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 any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; 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 any Bonds in, from or otherwise involving the United Kingdom.

### ***Japan***

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Republic of Korea***

The Bonds have not been and will not be registered under the Financial Investment Services and Capital Markets Act (**FSCMA**). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, directly or indirectly, in the Republic of Korea or to any resident (as such term is defined in the Foreign Exchange Transaction Law) of the Republic of Korea for a period of one (1) year from the date of issuance of the Bonds, except (i) to or for the account or benefit of a resident of the Republic of Korea which falls within certain categories of "professional investors" as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, in the case that the Bonds are issued as bonds other than convertible bonds, bonds with warrants or exchangeable bonds, and where other relevant requirements are further satisfied, or (ii) as otherwise permitted under applicable laws and regulations in the Republic of Korea.

## ***Hong Kong***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMPO)**) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## ***Singapore***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Programme Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Programme Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, 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 which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that 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, or assumes any responsibility for facilitating such sale.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme and the issue of Bonds have been duly authorised by a resolution of the Board of Directors of the Issuer dated 3rd June, 2021.

### **Listing of Bonds**

It is expected that each Tranche of Bonds will be admitted separately to the Official List and to trading on the London Stock Exchange's main market as and when issued, subject only to the issue of the Temporary Global Bond initially representing the Bonds of such Tranche.

### **Documents Available**

For so long as any Bonds remain outstanding, copies of the following documents will be available for inspection during usual business hours at the registered office of the Issuer:

- (a) the Articles of Association of the Issuer;
- (b) a redacted form of the Concession Agreement; and
- (c) the Trust Deed, the Bond Guarantee, the Agency Agreement, the Account Agreement, the Cash Management Agreement and the Subordination Deed.

### **Clearing Systems**

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Save as disclosed in this Programme Memorandum, there has been no significant change in the financial performance or financial position of the Issuer since 22nd October, 2020 (being the date of its incorporation) and there has been no material adverse change in the prospects of the Issuer since 22nd October, 2020 (being the date of its incorporation).

### **Litigation**

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 the Issuer is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

## **Auditors**

The auditors of the Issuer are Deloitte LLP. The auditors of the Issuer have no material interest in the Issuer.

## **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds.

## **Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates and the Guarantor in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, the Guarantor, 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 their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates or the Guarantor. Certain of the Dealers or their affiliates routinely hedge their credit exposures consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Bondholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is permitted, but unable, to take any action, the Bondholders are permitted by the Conditions and the Trust Deed in certain circumstances to take the relevant action directly, save that no Bondholder may take insolvency proceedings against the Issuer.

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**AGENT (AND PAYING AGENT), ACCOUNT BANK, CASH MANAGER AND CUSTODIAN**

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