

**AYR ISSUER S.A.***(incorporated in Luxembourg under registered number B189394)***£107,262,000 Secured Floating Rate Notes due 2024**

<b>Initial Principal Amount</b>	<b>Issue Price</b>	<b>Interest Reference Rate(s)</b>	<b>Relevant Margin</b>	<b>Expected Maturity Date</b>	<b>Final Maturity Date</b>	<b>Ratings S&amp;P</b>
£107,262,000	100%	Three-month Sterling LIBOR	1.45% (from and including the Closing Date) and (if the Loan Final Maturity Date is extended) 2.05% (from and including 10 August 2019 until the Final Maturity Date)	10 August 2019 or, if the Loan Final Maturity is extended, 10 August 2021	10 August 2024	A

(1) All of the Notes will bear interest of three-month LIBOR plus the Relevant Margin specified above.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Art 5.3 of Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") and/or the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (the "**Prospectus Regulations**"). Application has been made for this Prospectus to be approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 (as amended by the law of 3 July 2012, the "**Luxembourg Act**") on prospectuses for securities and under the Prospectus Directive. The CSSF only approves this Prospectus as meeting the requirements imposed under Luxembourg and EU law pursuant to the Prospectus Directive. Application has been made to the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") for the listing of the £107,262,000 Secured Floating Rate Notes due 2024 (the "**Notes**") of AYR ISSUER S.A. (the "**Issuer**") on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. The CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Law on prospectuses for securities.

The Notes will be issued on 29<sup>th</sup> August 2014 or such later date as may be agreed by Chalkhill Partners LLP (the "**Arranger**"), the Issuer and U.S. Bank Trustees Limited (the "**Note Trustee**", which expression shall include its successors and assignees and each person from time to time acting as note trustee under the Note Trust Deed) (the "**Closing Date**"). The primary source of funds for the payment of principal, interest and other amounts by the Issuer on the Notes will be the right of the Issuer to receive interest and principal repayments and fees payable under the loan (the "**Loan**") made by the Issuer to GL Europe Sheffield 1 S.à r.l., GL Europe Nottingham 12 S.à r.l., GL Europe Trinity Square S.à r.l. and GL Europe Summit S.à r.l. (each a "**Borrower**" and together the "**Borrowers**") on the Closing Date. The primary source of funds for payment of principal, interest and other amounts by the Borrowers under the Loan will be the right of the Borrowers to receive income under the leases (the "**Leases**") and, indirectly, will be GL Europe South Yorkshire UK Limited, GL Europe Nottingham UK Limited, GL Europe Trinity Square UK Limited and GL Europe Summit UK Limited's (each a "**Management Company**" and together, the "**Management Companies**") right to receive rental payments and other income in respect of a portfolio of student accommodation (the "**Property Portfolio**").

Interest on the Notes is payable by reference to successive interest periods (each an "**Interest Period**"). Interest will be payable quarterly in arrear on 10<sup>th</sup> February, May, August and November in each year commencing on the Interest Payment Date occurring in November 2014 provided that: (i) the first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Interest Payment Date occurring in November 2014; and (ii) the final Interest Payment Date will occur on 10 August 2024 (the "**Final Maturity Date**") unless the Notes are redeemed in full on or prior to 10 August 2019, or if the Loan Final Maturity is extended, 10<sup>th</sup> August 2021 (the "**Expected Maturity Date**"); and (iii) the final Interest Period will commence on (and include) the Interest Payment Date falling on 10 May 2019, 10 May 2021 or 10 May 2024 (as applicable) and end on (but exclude) the Expected Maturity Date or the Final Maturity Date (as applicable). Interest on the Notes will bear interest at three-month Sterling LIBOR plus the Relevant Margin<sup>1</sup> specified above. Payments of interest in respect of the Notes are further described herein and, in particular, in Condition 5 (Interest) of the terms and conditions of the Notes reproduced herein in the section entitled "*Terms and Conditions of the Notes*" (the "**Conditions**").

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

<sup>1</sup> Such Margin will be increased to the "Step-Up Margin" for any extension beyond the Expected Final Maturity Date.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

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

The Notes will be limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It should be noted, in particular, that the Notes will not be obligations of, and will not be guaranteed by, Stichting AYR Issuer (the "**Issuer HoldCo**"), the Borrowers, the Management Companies, the Note Trustee, the Issuer Security Trustee, GL Europe Portfolio Advisor Limited (the "**Asset Manager**"), the Borrower Facility Agent, the Borrower Security Trustee, the Issuer Account Bank, the Cash Manager, the Arranger, the Principal Paying Agent or the Issuer Corporate Services Provider (each as defined herein). The indebtedness of the Borrowers (including under the Loan) will be secured over all of the assets of each of the Borrowers and the Management Companies, all as more particularly described below. The Notes will be secured over all of the assets and undertaking of the Issuer which will include its rights under the Loan and the security therefor, all as more particularly described below.

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

The Issuer is of the opinion that Article 405 of Regulation (EU) No. 575/2013, referred to as the Capital Requirements Regulation (the "**CRR**") and Article 17 of Directive 2011/61/EU on Alternative Investment Fund Managers ("**AIFMD**") and the level 2 measures included in Commission Delegated Regulation 231/2013 (the "**AIFMD Regulation**") and Regulation (EC No. 1060/2009 as amended by Regulation (EU) No. 462/2013 (together, the "**CRA**") do not apply to the Notes.

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

## **SOLE ARRANGER AND BOOKRUNNER**

### **CHALKHILL PARTNERS LLP**

Prospectus dated 26<sup>th</sup> August 2014

## IMPORTANT NOTICE

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Borrowers, the Borrower Facility Agent, the Borrower Security Trustee, the Note Trustee, the Issuer Security Trustee or the Arranger that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Borrowers, the Note Trustee, the Issuer Security Trustee or the Arranger which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Arranger to inform themselves about and to observe any such restrictions.

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

Knight Frank accepts responsibility for the information set out in the section entitled "*Appendix 1 – Valuation Report*". To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the section entitled "*Appendix 1 – Valuation Report*" (other than as provided in the following paragraph) is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Borrowers, the Borrower Facility Agent, the Borrower Security Trustee, the Note Trustee, the Issuer Security Trustee or any of their respective affiliates or shareholders or the shareholders of the Issuer. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The Notes and interest and other amounts thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, the Issuer HoldCo, the Borrowers, the Management Companies, the Note Trustee, the Issuer Security Trustee, the Asset Manager, the Borrower Facility Agent, the Borrower Security Trustee, the Issuer Account Bank, the Cash Manager, the Arranger, the Principal Paying Agent or the Corporate Services Provider (each as defined herein). None of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

None of Chalkhill Partners LLP, the Borrowers, the Management Companies nor any of their respective affiliates or shareholders, the Issuer, nor any other person, makes any representation to any prospective investor or purchaser of the Notes regarding the legality of an investment therein by such prospective investor or purchaser under applicable legal investments or similar laws or regulations.

## NOTICE TO UNITED KINGDOM INVESTORS

In the United Kingdom, this Prospectus is only being distributed to, and is only directed at, persons who either (1) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (2) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order (each such person being referred to as a "**Relevant Person**"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Prospectus must not be acted or relied on by persons who are not Relevant Persons.

## NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE OR OTHER SECURITIES LAW, AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OR TO ANY U.S. PERSONS (AS DEFINED IN "*SUBSCRIPTION AND SALE*" EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS.

## OFFEREE ACKNOWLEDGEMENTS

Each person receiving this Prospectus, by acceptance hereof, hereby acknowledges that:

- (a) this Prospectus has been prepared by the Issuer solely for the purpose of offering the Notes described herein. Notwithstanding any investigation that the Arranger may have made with respect to the information set forth herein, this Prospectus does not constitute, and shall not be construed as, any representation or warranty by the Arranger as to the adequacy or accuracy of the information set forth herein. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Arranger.
- (b) The obligations of the parties to the transactions contemplated herein are set forth in and will be governed by certain documents described herein, and all of the statements and information contained herein are qualified in their entirety by reference to such documents. This Prospectus contains summaries, which the Issuer believes to be accurate, of certain of these documents, but for a complete description of the rights and obligations summarised herein, reference is hereby made to the actual documents, copies of which may (on giving reasonable notice) be obtained from the Issuer or the Paying Agents after the Closing Date.

EACH PERSON RECEIVING THIS PROSPECTUS FURTHER ACKNOWLEDGES THAT (A) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (B) SUCH PERSON HAS NOT RELIED ON THE ARRANGER OR ANY PERSON AFFILIATED WITH THE ARRANGER IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (C) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES

OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED AND (D) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS AT ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

### **REFERENCES TO CURRENCIES**

All references in this Prospectus to "**sterling**" or "**pounds**", "**GBP**" or "**£**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**").

### **GENERAL NOTICE TO INVESTORS**

Other than approval by the CSSF of this Prospectus as a prospectus in accordance with the requirements of the Prospectus Directive and the relevant implementing measures in Luxembourg, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of the Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof), comes are required by the Issuer and the Arranger to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for or purchase any of the Notes and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof) see the section entitled "*Subscription and Sale*" on page 280.

Any website referred to in this Prospectus and the contents thereof do not form part of this Prospectus.

### **SOURCES OF MARKET DATA, FINANCIAL DATA AND OTHER REFERENCES**

This Prospectus contains or refers to figures (all subject to commercial rounding), market data, analyst reports, and other publicly available information about the market which are based on published market data or figures from publicly available sources. To the extent that information contained in this Prospectus was derived from third-party sources, the Issuer confirms that such information is accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the information reproduced in this Prospectus inaccurate or misleading. The Issuer has not verified the figures, market data, and other information contained in any publicly available sources and does not assume any responsibility for the accuracy of the figures, market data, or other information from the publicly available sources. The Issuer has also not verified information derived from third-party sources and does not assume any responsibility for the accuracy of such information.

## REGULATORY CONSIDERATIONS

The Issuer is of the opinion that the transaction described in this Prospectus in connection with the issuance of the Notes (the "**Transaction**") is not a "securitisation" for the purposes of Article 405 to 409 of the CRR, Articles 51 to 53 of the AIFMD (which contains provisions similar to those in Articles 405 to 409 of the CRR) and the CRA (which incorporates definitions similar to those used in the CRR) for the reasons set out below.

The definition of "securitisation" in the CRR requires that the relevant transaction include a tranching of risk. In the Transaction, as there is only one class of Notes, there is no tranching of risk.

In addition, a purposive construction of the definition of "securitisation" suggests that, as used in Articles 405 to 409, it is primarily concerned with existing credit claims in respect of which a person already has exposure in circumstances where there is a misalignment of interests. In the context of the Transaction:

- (a) the Loan will not exist prior to the Closing Date but will instead be created as a result of the Transaction – there is no existing credit risk which will be transferred actually or synthetically; and
- (b) the "exposure" of the Noteholders under the Transaction is to the Borrowers and the Management Companies (together, the "**Obligors**") and their businesses through the medium of the Notes and Loan. As the Obligors' obligations under the Loan are full recourse corporate credit obligations, there can be no misalignment between the interests of the Obligors (as the persons for whose benefit the Transaction is being implemented) and the Noteholders.

With regard to the CRR risk retention requirement, Recital (57) of the CRR indicates that the risk retention requirement is aimed to ensure that there is an alignment between the interests of undertakings that repackage loans into tradable securities (originators or sponsors) and investors in those securities. The Transaction does not involve a repackaging of loans.

Investors in the Notes are responsible for analysing their own regulatory position and independently assessing and determining whether or not Articles 405 to 409 of the CRR, Articles 51 to 53 of the AIFMD or, as the case may be, the CRA will be applied to their exposure to the Notes and, therefore, prospective investors should not rely on the Issuer's interpretation set out above. Investors subject to the CRR should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Notes. Articles 405 to 409 of the CRR, Articles 51 to 53 of the AIFMD and the CRA and/or any further change to thereto, regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and have a negative impact on the price and liquidity of the Notes in the secondary market.

None of the Issuer, the Borrowers, the Management Companies, the Note Trustee, the Issuer Security Trustee nor the Arranger makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes.

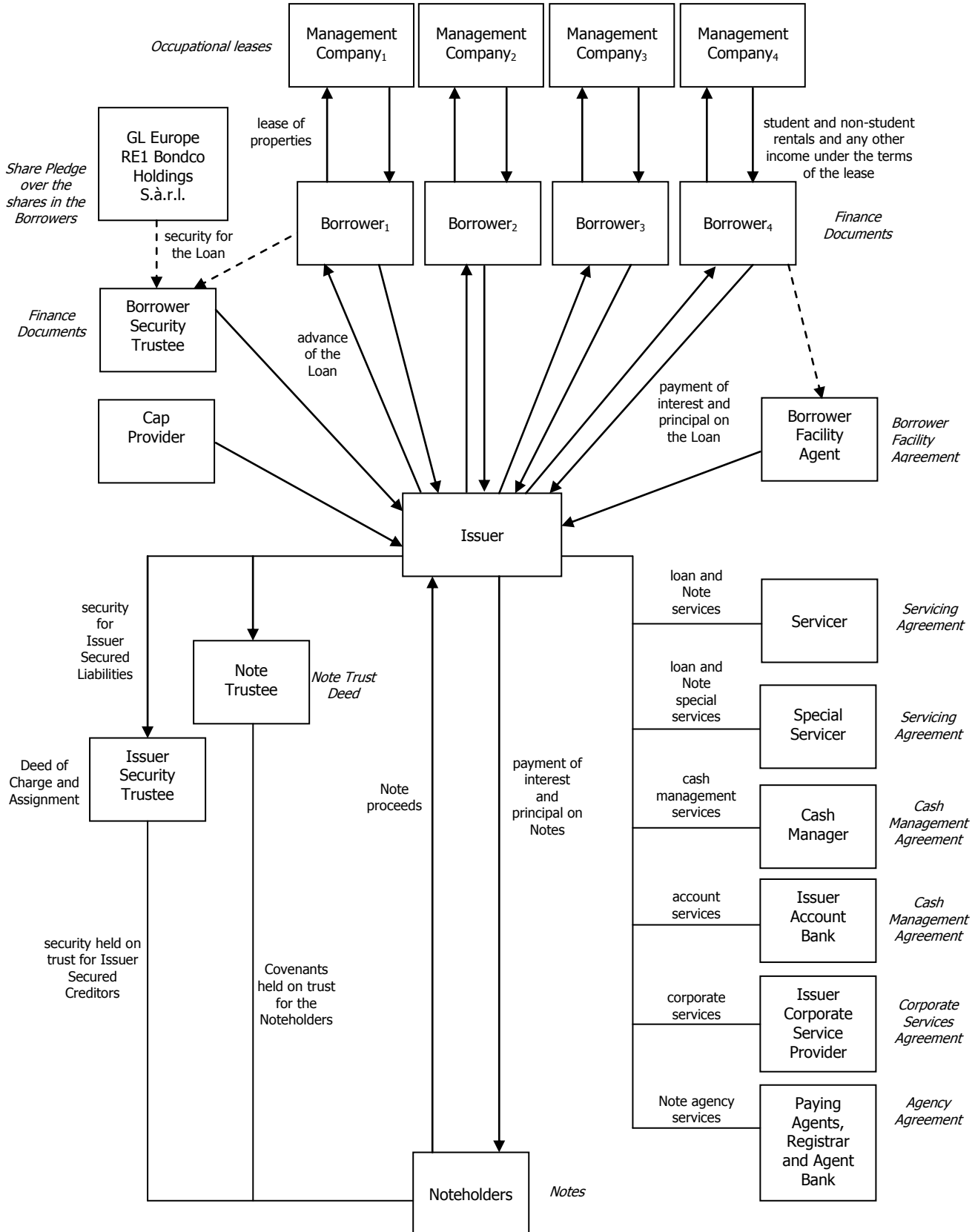
For further information, see the section entitled "*Risk Factors – General Risk Factors – Changes to the risk weighted asset framework*" on page 39.

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## DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

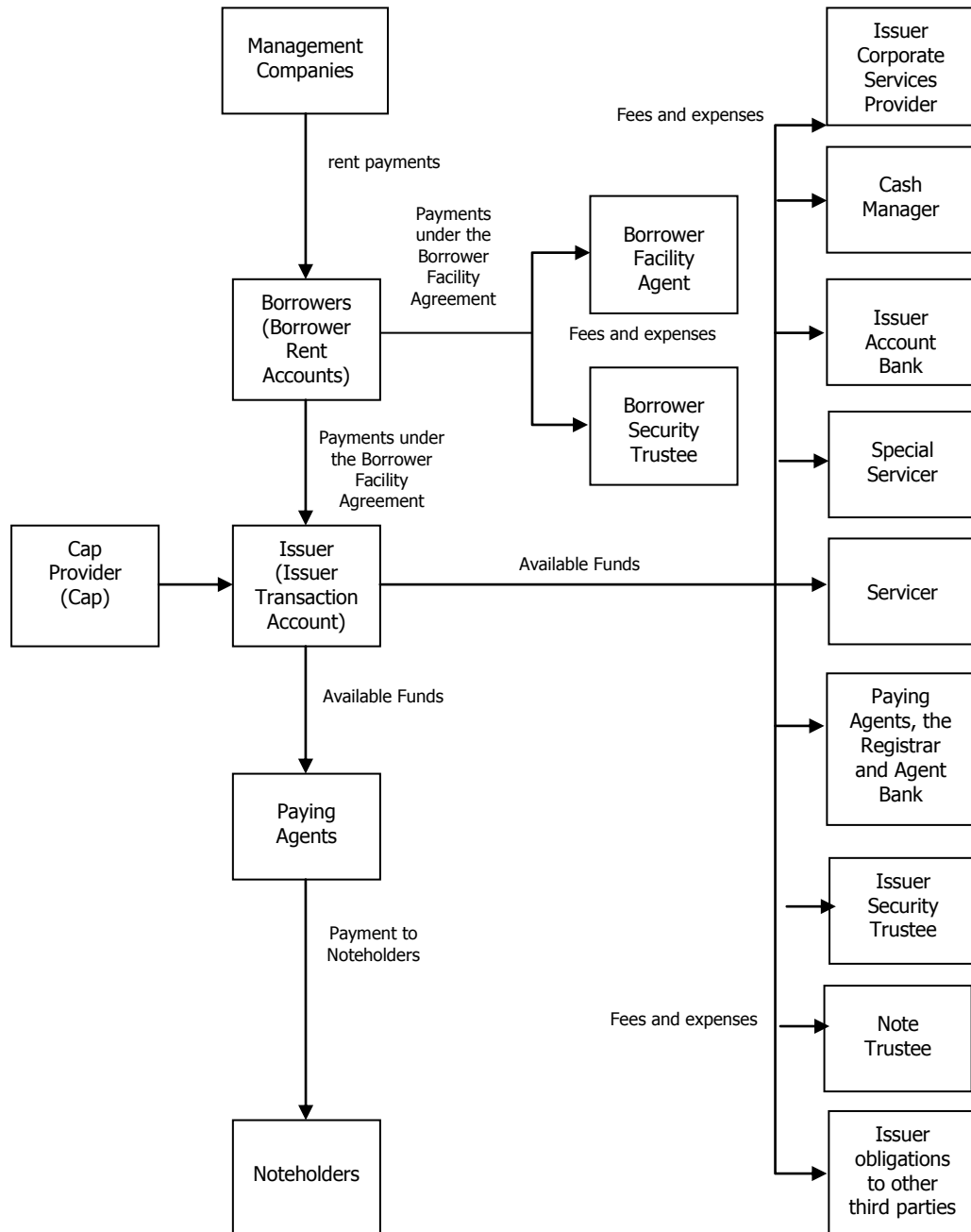
The following diagram sets out the key transaction parties and the contractual arrangements to which they are a party.





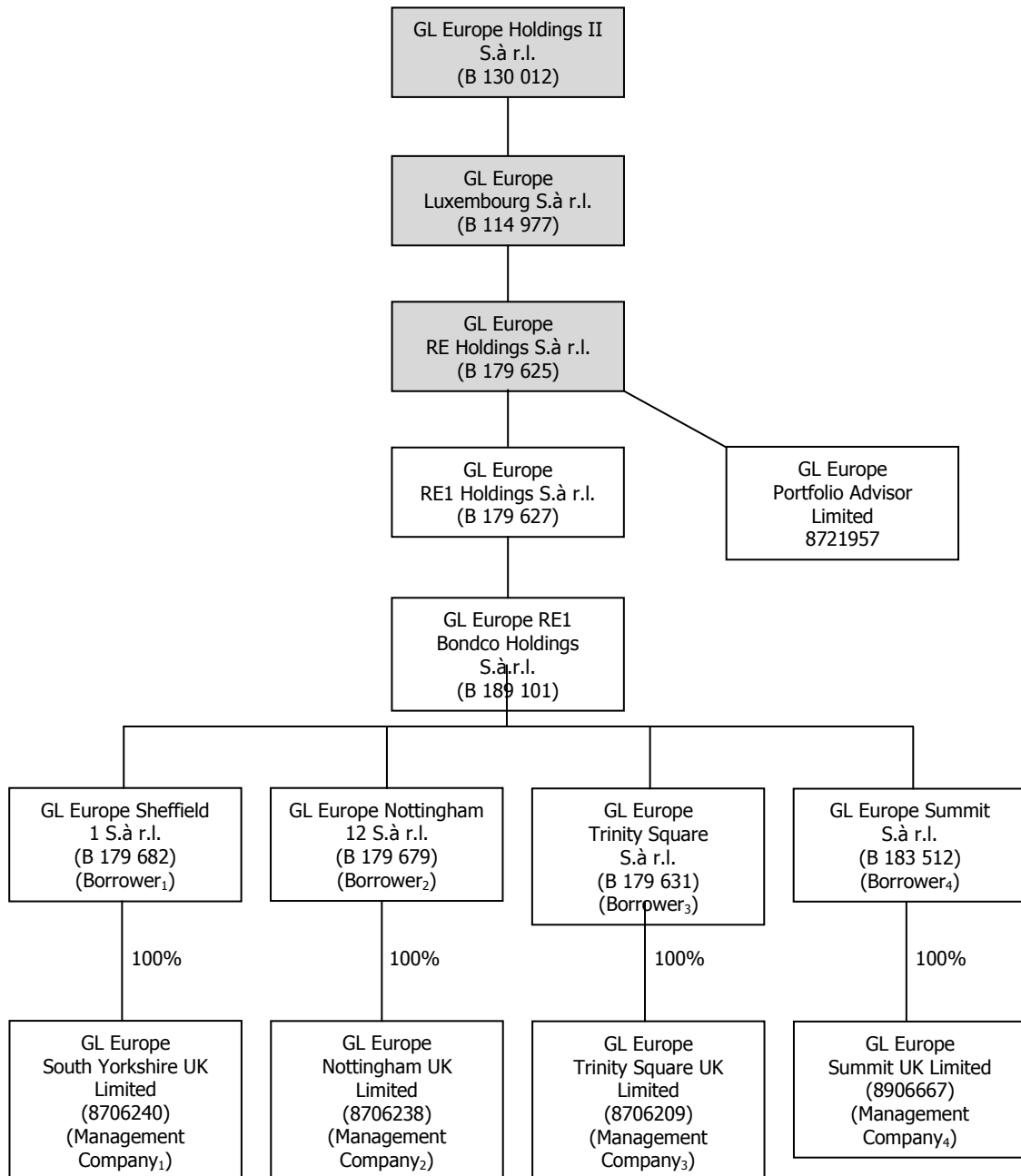
## DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW

The following diagram highlights the structure and cashflow for the transaction. It is not intended to be an exhaustive description of such matters and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

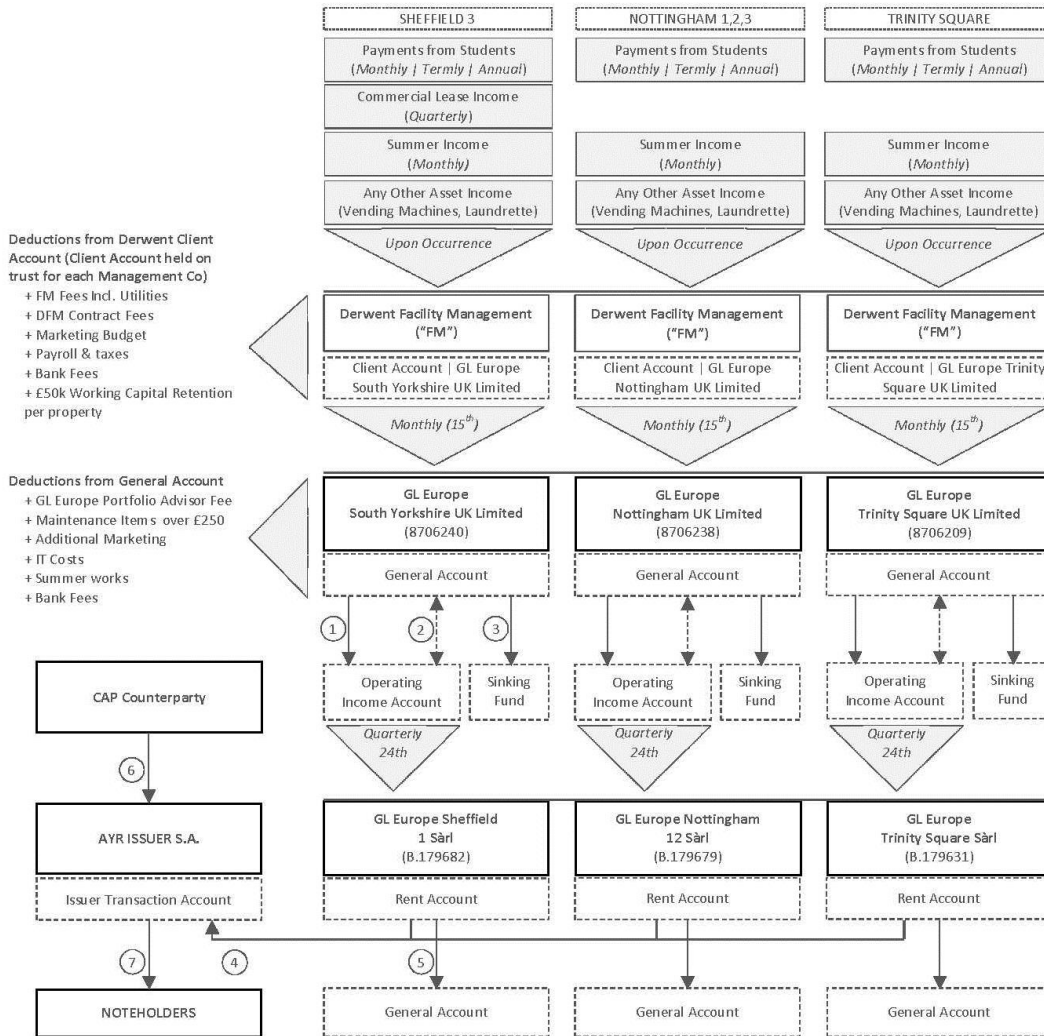


## DIAGRAMMATIC OVERVIEW OF OWNERSHIP STRUCTURE OF THE BORROWERS

The following diagram sets out the structure of the corporate group of which the Borrowers form part. It is not intended to be an exhaustive description of such corporate group. See the sections entitled "The Borrowers" on page 89 and "Management Companies' Business" on page 93 for more detail.

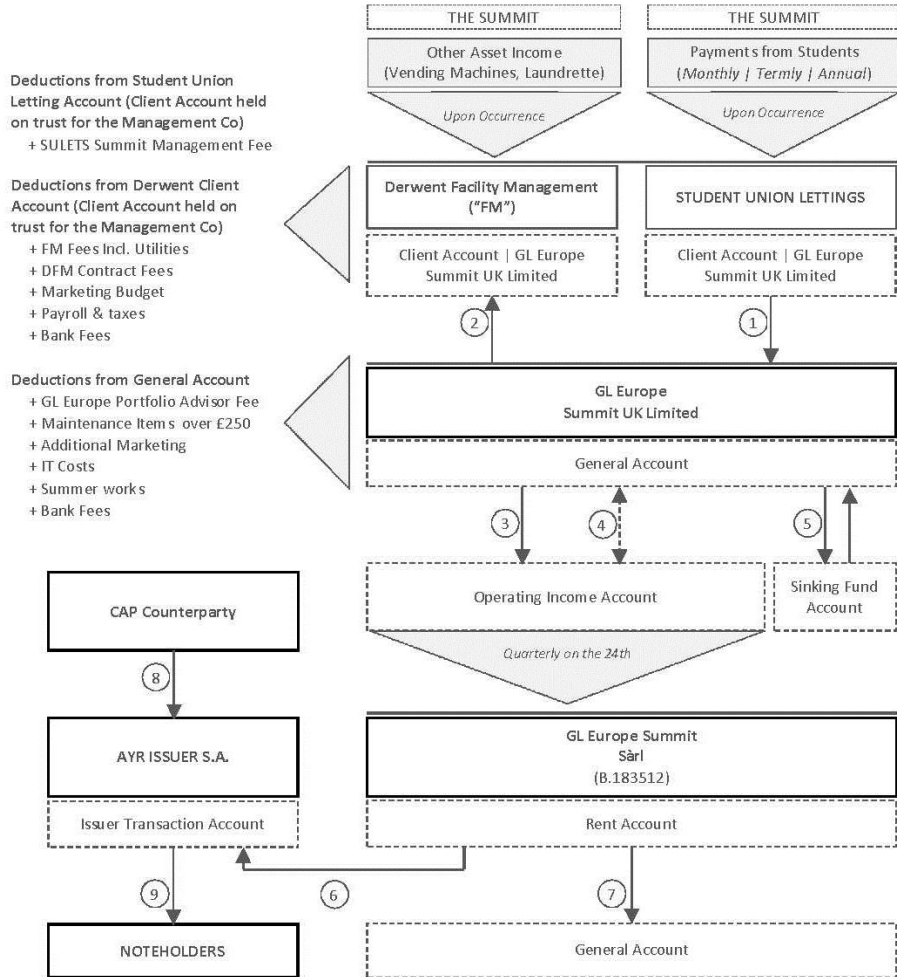


## DIAGRAMMATIC OVERVIEW OF UNDERLYING CASHFLOWS



### Explanatory Notes

- ① General Account transfer to Operating Income Account to occur Monthly on the 20<sup>th</sup> for an amount equal to 97% of the previous months Net Operating Income ("NOI")
- ② Quarterly True-Up between General Account and Operating Income Account to occur on the 20<sup>th</sup> Oct, 20<sup>th</sup> Jan, 20<sup>th</sup> Apr, 20<sup>th</sup> Jul. such that the Operating Management Account contains an amount equal to 97% of the previous quarter NOI
- ③ General Account transfer to Sinking Fund Account to occur Monthly on the 20<sup>th</sup> on the basis of the reported budget
- ④ Payment of interest due on the Issuer Loan payable on the 2<sup>nd</sup> Nov, 2<sup>nd</sup> Feb, 2<sup>nd</sup> May, 2<sup>nd</sup> Aug.
- ⑤ Surplus proceeds less retention for seasonality ledger transferred from the Borrower's Rent Account to the Borrowers General Account on the 2<sup>nd</sup> Nov, 2<sup>nd</sup> Feb, 2<sup>nd</sup> May, 2<sup>nd</sup> Aug.
- ⑥ Any payments due to the Issuer from the Cap Counterparty under the hedging arrangements
- ⑦ Payments due to noteholders on 10<sup>th</sup> Nov, 10<sup>th</sup> Feb, 10<sup>th</sup> May, 10<sup>th</sup> Aug.



- ① Daily sweep of Student Union Lettings Client Account less any Lettings Fee due to Student Union Lets
- ② Payment to Derwent Client Account on a monthly basis to provide for monthly working capital of £100k
- ③ General Account transfer to Operating Income Account to occur Monthly on the 20<sup>th</sup> for an amount equal to 97% of the previous months Net Operating Income ("NOI")
- ④ Quarterly True-Up between General Account and Operating Income Account to occur on the 20<sup>th</sup> Oct, 20<sup>th</sup> Jan, 20<sup>th</sup> Apr, 20<sup>th</sup> Jul. such that the Operating Management Account contains an amount equal to 97% of the previous quarter NOI
- ⑤ General Account transfer to Sinking Fund Account to occur Monthly on the 20<sup>th</sup> on the basis of the reported budget
- ⑥ Payment of interest due on the Issuer Loan payable on the 2<sup>nd</sup> Nov, 2<sup>nd</sup> Feb., 2<sup>nd</sup> May, 2<sup>nd</sup> Aug.
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- ⑧ Any payments due to the Issuer from the Cap Counterparty under the hedging arrangements
- ⑨ Payments due to noteholders on 10<sup>th</sup> Nov, 10<sup>th</sup> Feb, 10<sup>th</sup> May, 10<sup>th</sup> Aug.

## **RISK FACTORS**

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. 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.

### **A. RISK FACTORS RELATING TO THE ISSUER**

#### **Risks relating to the Issuer**

##### **Liability under the Notes**

The Issuer will be the only entity which has obligations to pay any amount due in respect of the Notes. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity.

##### **Limited resources of the Issuer**

The Issuer is a special purpose entity with no business operations other than the issue of the Notes, the entering into of the Borrower Facility Agreement (the "**Loan**"), the Transaction Documents and the transactions ancillary thereto. The assets of the Issuer will themselves be limited. Other than from interest earned on the Issuer Transaction Account, the ability of the Issuer to meet its obligations under the Notes will be wholly dependent upon the receipt by it of principal and interest and other amounts from the Borrowers under the Loan or if the Borrowers fail to repay the Loan, the receipt of funds (if any) in respect of any enforcement of the Loan Security or sale of the Loan given the Special Servicer is expressly allowed to sell the Loan. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

Upon enforcement of the Issuer Security, the Issuer Security Trustee or any receiver will have recourse only to the Loan and the Issuer's interest in the Loan Security, and to any other assets of the Issuer then in existence as described in this document.

##### **Limited recourse obligations of the Issuer**

The Notes will be limited recourse obligations of the Issuer. On enforcement of the Issuer Security, in the event that the proceeds of such enforcement are insufficient (after payment of all other claims ranking higher in priority to or *pari passu* with amounts due under the Notes), then the Noteholders will have no further claim against the Issuer in respect of such unpaid amounts.

Enforcement action under the Deed of Charge and Assignment (which may be by way of appointment of a receiver over the secured assets) is the only substantive remedy available for the purposes of recovering amounts owed in respect of the Notes. The Issuer will not have any recourse to the assets of the Obligors unless a default has occurred under the terms of the Finance Documents. The security created by the Security Documents will not automatically be enforceable as a result of enforcement action under the Deed of Charge and Assignment.

##### **Insolvency of the Issuer**

Although the Issuer will contract on a "limited recourse" and non-petition basis, it cannot be excluded as a risk that the Issuer's assets will become subject to insolvency proceedings. The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg and managed by its board of directors. Accordingly, insolvency proceedings with

respect to the Issuer would likely proceed under, and be governed by, the insolvency laws of Luxembourg. Under Luxembourg law, a company is insolvent (*en faillite*) when it is unable to meet its current liabilities and when its creditworthiness is impaired. The Issuer can be declared bankrupt upon petition by a creditor of the Issuer or at the initiative of the court or at the request of the Issuer in accordance with the relevant provisions of Luxembourg insolvency law. If granted, the Luxembourg court will appoint a bankruptcy trustee (*curateur*) who shall be obliged to take such action as he deems to be in the best interests of the Issuer and of all creditors of the Issuer. Certain preferred creditors of the Issuer (including the Luxembourg tax authorities) may have a priority that ranks senior to the rights of the Issuer Secured Creditors in such circumstances. Other insolvency proceedings under Luxembourg law include controlled management and moratorium of payments (*gestion contrôlée et sursis de paiement*), composition proceedings (*concordat*) and judicial liquidation proceedings (*liquidation judiciaire*). In the event of such insolvency proceedings taking place, Holders of Securities bear the risk of a delay in the settlement of any claims they might have against the Issuer or receiving, in respect of their claims, the residual amount following realisation of the Issuer's assets after preferred creditors have been paid, with the result that they may lose their initial investment.

## **B. RISK FACTORS RELATING TO THE NOTES**

### **Ratings of the Notes**

The ratings assigned to the Notes by the Rating Agency are based on the Loan, the Loan Security, the Property Portfolio and other relevant structural features of the transaction. Such rating by the Rating Agency reflects only the views of the Rating Agency. No other rating agency has been mandated to rate the Notes.

The ratings assigned to the Notes by the Rating Agency address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Final Maturity Date. There can be no assurance that any such rating will continue for any period of time or that it will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agency as a result of changes in, or unavailability of, information or if, in the judgment of the Rating Agency, the credit quality of the Notes has declined or is in question or circumstances so warrant. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of the ratings assigned to the Notes by the Rating Agency may impact upon the market value and/or liquidity of the Notes.

Credit rating agencies other than the Rating Agency could seek to rate the Notes without having been requested to do so by the Issuer. Any such unsolicited ratings in respect of the Notes may differ from the ratings assigned to the Notes by the Rating Agency. The issuance of an unsolicited rating could have an adverse effect on the market value and/or liquidity of the Notes. In this Prospectus, all references to ratings are to the rating assigned by the Rating Agency to the Notes.

The Rating Agency, in assigning a credit rating to the Notes, does not comment on the interests of holders of securities such as the Notes and there is no obligation on the part of the Rating Agency to provide any confirmation of a rating if it was requested to do so.

### **Absence of secondary market/limited liquidity**

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to trading on its regulated market. There is not, at present, a secondary market for the Notes. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In

addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time until final redemption or maturity of such Notes. Lack of liquidity could result in a significant reduction in the market value of the Notes and any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

### **Lack of liquidity in the secondary market may adversely affect the market value of the Notes**

The UK and global debt markets have since 2007 experienced disruptions resulting in reduced investor demand capital market securities and increased investor yield requirements for those loans and securities. Such market disruptions may return in the future which may have an adverse effect on the market value of debt securities such as the Notes.

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

Any over-supply in the secondary market may have an adverse effect on the market value of debt securities such as the Notes. Recently, the secondary market conditions in relation to capital market instruments have improved overall, increasing the interest of investors in such instruments.

### **Denominations and trading**

The Notes will be issued in the denomination of £100,000 (or integral multiples of £1,000 in excess thereof). For so long as the Notes are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in minimum nominal amounts of £100,000 and integral multiples of £1,000 in excess thereof. However, if Definitive Notes are required to be issued and printed, any Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £100,000 will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal, interest or any other amounts in respect of such Notes. Furthermore, at any meeting of Noteholders while the Notes are represented by a Global Note, any vote cast will be valid only if it is in respect of £1,000 in nominal amount.

### **Cap Agreement**

The Issuer will enter into a Cap Agreement with the Cap Provider in order to hedge its interest rate liabilities under the Notes. If the Cap Provider fails to comply with its obligations under the Cap Agreement, then, in the absence of a replacement cap, the Borrowers may, during periods of high LIBOR rates, have insufficient funds available to them to make interest payments under the Facility Agreement. This may in turn result in the Issuer being unable to make full interest payments under the Notes. The Cap Agreement is described in more detail in the section entitled "*Description of the Interest Rate Cap Transaction*" on page 100.

### **No third party liquidity facility**

The Issuer will not enter into any liquidity facility with a third party to provide the Issuer with liquidity support in the event of a failure by the Borrowers, for any reason, to pay interest in full on the Loan in full on a timely basis. However, the Notes will indirectly benefit from an Issuer Interest Reserve Account established on the Closing Date in an amount equal to six

months of interest, calculated on the basis of LIBOR subject to the cap rate of 3.75% (the "**Capped LIBOR Rate**") plus the applicable Margin, together with six months of Issuer Periodic Expenses to the extent there is an Interest Payment Shortfall. Further, the Servicer and the Special Servicer (or applicable) will have the ability to raise funds on behalf of the Issuer from third parties in order to fund expenses relating to preserving the rights and interest of the Issuer, as lender, with respect to its interest in the Loan and the Loan Security, provided the Issuer is unable to fund such expenses by drawing on any other resources available to it. Such right to raise funds includes any rights of the Issuer, as lender, to authorise any administrator (or equivalent) of the Borrowers and the other Obligors to raise funds in order to preserve the value or permit the continued operation of the Properties, which could rank senior to any payments due on the Notes.

### **Modifications to the Transaction Documents without Noteholder consent**

The Note Trustee may at any time in its sole discretion, without the consent or sanction of the Noteholders or any other Issuer Secured Creditors and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its sole opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions (if any) as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Note Trust Deed (including the Conditions), the Notes or any of the other Transaction Documents (which, for the avoidance of doubt, shall include payment by the Cash Manager of monies standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Deed of Charge and Assignment) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default in respect of the Notes shall not be treated as such for the purposes of the Note Trust Deed (including the Conditions). Further, the Note Trustee may agree and may direct the Issuer Security Trustee to agree, without the consent or sanction of the Noteholders or any other Issuer Secured Creditors (i) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders or (ii) to any modification of the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is to correct a manifest error, is to comply with mandatory provisions of law or is of a formal, minor or technical nature.

Any modification, waiver or consent made or given in the circumstances referred to above will be binding on the Noteholders.

### **Withholding or deduction under the Notes**

In the event that a withholding or deduction for or on account of any tax is required by law in respect of amounts payable under the Notes or payable on redemption of the Notes, none of the Issuer, the Paying Agents, the Note Trustee or any other entity will be obliged to gross up or otherwise compensate Noteholders for the lesser amounts which the Noteholders will receive as a result of such withholding or deduction. The requirement for such withholding or deduction would (subject to certain conditions being fulfilled) entitle (but not oblige) the Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest but excluding any premium), thereby shortening the average lives of the Notes.

### **The Notes may not be a suitable investment for all investors**

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



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

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

### **General legal investment considerations**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) it may legally invest in the Notes, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## **C. RISK FACTORS RELATING TO THE LOAN AND THE LOAN SECURITY**

### ***Risks relating to the Borrowers***

#### **Ability of Borrowers to meet their obligations**

The Borrowers' only material assets are the portfolio of Properties and they will therefore have access to no funds other than those generated through its ownership and letting of the Properties. Apart from this, and any interest earned by the Borrowers in respect of their bank accounts, the Borrowers are not expected to have any other funds available to them to meet their obligations under the Loan and, if the Borrowers were to be unable to make payment in full of the amounts due under the Loan, this would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full. Upon enforcement of the security for the Loan, the Borrower Security Trustee or any receiver will, in practice, have recourse only to the Properties, the Leases and the other Loan Security.

#### **Insolvency of the Borrowers**

The Borrowers are private limited liability companies (*sociétés à responsabilité limitée*) incorporated under the laws of Luxembourg and each managed by its respective board of managers. Accordingly, insolvency proceedings with respect to the Borrowers would likely proceed under, and be governed by, the insolvency laws of Luxembourg. Under Luxembourg

law, a company is insolvent (*en faillite*) when it is unable to meet its current liabilities and when its creditworthiness is impaired. A Borrower can be declared bankrupt upon petition by a creditor of that Borrower or at the initiative of the court or at the request of the Borrower itself in accordance with the relevant provisions of Luxembourg insolvency law. If granted, the Luxembourg court will appoint a bankruptcy trustee (*curateur*) who shall be obliged to take such action as he deems to be in the best interests of the Borrower and of all creditors of the Borrower. Certain preferred creditors of the Borrower (including the Luxembourg tax authorities) may have a priority that ranks senior to the rights of its secured creditors in such circumstances. Other insolvency proceedings under Luxembourg law include controlled management and moratorium of payments (*gestion contrôlée et sursis de paiement*), composition proceedings (*concordat*) and judicial liquidation proceedings (*liquidation judiciaire*). In the event of such insolvency proceedings taking place, creditors of the Borrower bear the risk of a delay in the settlement of any claims they might have against the Borrower or receiving, in respect of their claims, the residual amount following realisation of the Borrowers' assets after preferred creditors have been paid.

### ***Risks in relation to the Loan***

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

The Borrowers are obliged, in certain circumstances, to prepay the Loan in full prior to the Loan Final Maturity Date. These circumstances include:

- the disposal of the Properties in full;
- any change to the involvement, responsibilities or ownership of the Borrowers (including intra-group transfers) where a Default or Event of Default has occurred and is continuing or where there is an outstanding breach of the Cash Trap Triggers;
- upon it becoming illegal for the Issuer to maintain the Loan.

The Borrowers are also permitted, subject to the terms of the Borrower Facility Agreement, to prepay the Loan on the occurrence of certain tax or regulatory events in relation to a lender (including the Issuer). Any such prepayment in respect of the Loan may result in the Notes being redeemed earlier than anticipated.

#### **Withholding tax in respect of the Loan**

##### *Luxembourg Tax*

Under current law, all payments made to the Issuer on the Loan by the Borrowers can be made without withholding or deduction for or on account of Luxembourg tax. In the event that any withholding or deduction for or on account of such tax is required to be made following any change in law, the amount of the payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made.

##### *United Kingdom Tax*

Under current law, it is expected that interest payments under the Loan will constitute yearly interest arising in the United Kingdom and therefore will be subject to deduction at source by the Borrowers of United Kingdom income tax at the basic rate (currently 20%). Such deduction will not be required if the Borrowers receive a direction from HM Revenue and Customs ("HMRC") (a "**Treaty Clearance**") that interest on the Loan may be paid to the Issuer without deduction in accordance with the United Kingdom - Luxembourg Double

Taxation Agreement (the "DTA"). The Issuer will make an application in accordance with HMRC's Double Taxation Treaty Passport Scheme, for a "treaty passport" confirming its eligibility for relief under the DTA. If such application is successful, the Issuer will receive a Double Taxation Treaty Passport Number which it will give to the Borrowers to enable the Borrowers to apply to HMRC for a Treaty Clearance.

In the event that (i) the Issuer's treaty "passport application" and/or the Borrowers' application for Treaty Clearance is delayed or there is a delay by HMRC in issuing a Treaty Clearance, in each case such that the Borrowers do not receive Treaty Clearance before the first (and/or any subsequent) Interest Payment Date, (ii) the Issuer's "passport application" and/or Borrowers' application for Treaty Clearance is refused, (iii) Treaty Clearances are subsequently removed, cancelled or revoked by HMRC, (iv) the Issuer's "treaty passport" expires (a passport is valid for five years) and is not renewed before the next Interest Payment Date, or (v) there is any change of law resulting in a withholding or deduction for or on account of United Kingdom tax needing to be made, then the amount of the payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made.

#### *FATCA*

In the event that a FATCA (*see section entitled "FATCA" on page 43*) withholding arises in respect of a payment by an Obligor, the amount of payment will be increased to the extent necessary to ensure that, after the FATCA withholding has been made, the Issuer receives a cash amount equal to that which it would have received had no such FATCA withholding been required to be made. If a FATCA withholding obligation arises because of the status of the Borrower Facility Agent, the Borrowers or the Issuer can require the Borrower Facility Agent to resign.

#### *Position of the Borrowers*

There is no corresponding obligation on the Management Companies to increase rental payments under the Leases in these circumstances, and consequently the Borrowers may not have sufficient funds with which to make such additional payments to the Issuer. If the Borrowers are obliged to make such an increased payment to the Issuer, the Borrowers have the option (but not the obligation) to repay the outstanding Loan in full. If the Borrowers do have sufficient funds and choose to repay the Loan, the Issuer will then be obliged to redeem the Notes in accordance with Condition 6(b) (Mandatory Redemption from Principal Distribution Amounts) under the section entitled "*Terms and Conditions of the Notes*" on page 241. If the Borrowers do not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

#### **Enforcement by Servicer and Special Servicer**

If the Borrowers default in their obligations in relation to the Loan or the Loan Security, the Servicer, or, if at the relevant time the Loan is a Specially Serviced Loan, the Special Servicer will be required to determine the best strategy for exercising the rights of the Issuer, the Borrower Facility Agent and the Borrower Security Trustee in accordance with the Servicing Standard. These determinations may, in certain circumstances, involve the Servicer or the Special Servicer declining or deferring the commencement of formal enforcement proceedings. Instead, the Servicer or the Special Servicer will be entitled to agree to waive or modify certain provisions of the Finance Documents, provided that (inter alia) to do so would be in accordance with the Servicing Standard. The strategy of the Special Servicer may include the sale by the Special Servicer of the Issuer's interests in the Loan (see the section

entitled "*The Servicing Arrangements – Role of the Servicer and the Special Servicer – Enforcement of the Loan Security*".

See the section entitled "*The Servicing Arrangements – Role of the Servicer and the Special Servicer – Modifications, Waivers, Amendments and Consents in relation to the Finance Documents*" on page 205 for further details as to the rights and obligations of the Servicer and the Special Servicer in relation to the enforcement of the Loan Security and the modification and waiver of the provisions of the Finance Documents.

### **Refinancing risk**

Unless previously repaid, the Borrowers will be required to repay the Loan on the Loan Final Maturity Date. The ability of the Borrowers to repay the outstanding amount of the Loan on the Loan Final Maturity Date will depend, among other things, upon their ability to find a lender willing to lend to the Borrowers (secured against some or all of the Properties) sufficient funds to enable repayment of the Loan. Such Lenders will generally include banks, insurance companies, asset managers and finance companies. If the Borrowers cannot find such a lender, then the Borrowers may be forced in circumstances which may not be advantageous into selling some or all of the Properties in order to repay the Loan. Failure by the Borrowers to refinance the Loan or to sell the Properties on or prior to the Loan Final Maturity Date may result in the Borrowers failing to repay the Loan in full on the Loan Final Maturity Date. In the event of such a default, the Noteholders may receive by way of principal repayment an amount less than the then Principal Amount Outstanding on their Notes and the Issuer may be unable to pay in full interest and other amounts due on the Notes.

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

The Borrowers have, in accordance with the terms of the Borrower Facility Agreement, established bank accounts into which, among other things, rental income and disposal proceeds in respect of the Properties must be paid (see the section entitled "*The Loan and the Loan Security – Borrower Facility Agreement - Borrower Accounts*" on page 159) and granted security (which, in each case, is expressed to be fixed security) over all of their interests in these bank accounts. The Issuer will also, under the Deed of Charge and Assignment, grant security (also expressed to be fixed security) over all of its bank accounts, other than the share capital account of the Issuer.

Although the various bank accounts are stated to be subject to various degrees of control (for example, the Borrower Facility Agreement provides that the Borrower Facility Agent is to have sole signing rights over the Borrower Rent Account), there is a risk that, if the Borrower Security Trustee or the Issuer Security Trustee (as appropriate) do not exercise the requisite degree of control over the relevant accounts in practice, a court could recharacterise such security interests and determine that the security interests granted in respect of those accounts take effect as floating security only. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the relevant entity in whose name the account is held.

### **Luxembourg tax position of the Borrowers**

There can be no assurance that tax law and practice will not change in a manner (including, for example, a rise in the rate of corporation tax) which would adversely affect the amount of post-tax income of the Borrowers and therefore affect the Borrowers' ability to make repayments under the Loan. If the Issuer does not receive all amounts due from the Borrowers under the Loan, the Issuer may not ultimately have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

## **Secondary taxation liabilities of the Borrowers**

Where a controlling company fails to discharge certain taxes due and payable by it within a specified period of time, Luxembourg tax law imposes in certain circumstances a secondary liability to the group members for those overdue taxes if the controlling member of the same group of companies for tax purposes has not discharged its primary liability to pay that tax.

In the Tax Deed of Covenant, the Borrowers have made certain representations, warranties and covenants in favour of the Borrower Security Trustee, the Issuer Security Trustee and the Note Trustee in relation to its tax affairs including in relation to matters which may potentially result in secondary tax liability. The aim of such covenants is to minimise the likelihood of such secondary liabilities to tax affecting the Borrowers, but the possibility of such liabilities arising cannot be entirely eliminated.

## **Secondary taxation liabilities of the Management Companies**

Where a company fails to discharge certain taxes due and payable by it within a specified period of time, United Kingdom tax law imposes in certain circumstances a secondary liability for those overdue taxes on other companies which are or have been members of the same group of companies for tax purposes or are or have been under common control with the company that has not discharged its primary liability to pay that tax.

In the Tax Deed of Covenant, the Management Companies have made certain representations, warranties and covenants in favour of the Borrower Security Trustee, the Issuer Security Trustee and the Note Trustee in relation to its relevant tax affairs, including in relation to matters which may potentially result in a secondary tax liability. The aim of such covenants is to minimise the likelihood of such secondary liabilities to tax affecting the Management Companies, but the possibility of such liabilities arising cannot be entirely eliminated.

## **Special purpose entity covenants**

Each of the Borrowers was established as a special purpose entity ("**SPE**"). The Borrower Facility Agreement contains covenants that are generally designed to limit the activities and purposes of the Borrowers to owning the Properties, making payments on the Loan and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan and related properties result in the Borrowers' bankruptcy.

However, there can be no assurance that the Borrowers will comply with the SPE covenants and, even if all or most of such restrictions have been complied with by the Borrowers, there can be no assurance that none of the Borrowers will not nonetheless become insolvent. However, failure by the Borrowers to comply with such covenants would (after the expiry of any applicable grace period) lead to a Loan Event of Default.

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

See the section entitled "*The Borrowers*" on page 90 for more detail on the Borrowers.

## **Other indebtedness of the Borrowers**

The Borrowers may incur additional indebtedness after the Closing Date, the existence of which may adversely affect the financial viability of the Borrowers. Additional debt increases

the possibility that the Borrowers would lack the resources to repay the Loan and its other debt and, in addition, the Borrowers may have actual or contingent liabilities linked to their activities which may result in the insolvency or administration of the Borrowers.

In order to address these risks, the Borrower Facility Agreement restricts the right of the Borrowers to incur additional indebtedness except in certain circumstances (including payment for goods and services in the ordinary course of business, subordinated debt incurred under the terms and subject to the restrictions in the Deed of Subordination, certain other existing debt of the Borrowers which has been subordinated and debt with the consent of the Issuer as majority lender). There can be no assurance, however, that no such actual or contingent liabilities will exist in the future or that the activities of the Borrowers outside of the transaction will not lead to its being the subject of an insolvency or administration order.

#### **D. RISK FACTORS RELATING TO THE PROPERTY PORTFOLIO**

##### **General risks relating to the ownership of property**

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

##### **Rental income in respect of the Property Portfolio is dependent on the stability of tenants and other counterparties**

The Management Companies' revenue is dependent on the collection of rents from students. All rent is invoiced in advance on termly, annual or semi-annual bases. The Management Companies also obtain rent guarantees from the parents of UK students and actively manage any rental arrears. Although the Management Companies focus on higher-quality properties that are more likely to attract more affluent customers and obtain tenancy guarantees, defaults by customers may increase, particularly if the general UK economy suffers to the extent demand is reliant on domestic students.

In addition, the net revenue generated by the Properties may depend on the financial stability of university clients with which the Borrowers have direct contractual relationships by way of a nominations agreement; however, this only applies to a limited extent, given that there is only one nominations agreement for a short term period (as described further below) and some minor lettings agreement (each in relation to the Sheffield Property only). Tenants may default on contract terms, such as rental payment, or the advance bookings of student accommodation – see below "*Default under the Nomination Agreement in respect of the Sheffield Property*" on page 23.

An increase in the level of defaults might impact on the revenue generated from operations as well as property valuations. Such impact may adversely affect the Management Companies' ability to make payments under the Leases, which may in turn impact the Borrowers' ability to make payments under the Loan, which may in turn impact the ability of the Issuer to make payment in respect of the Notes. In circumstances where the Borrowers

default on their interest payments due and payable under the Loan, the Issuer may be entitled to withdraw amounts standing to the credit of the Issuer Interest Reserve Account to fund any resultant shortfall in resources to fund payment of interest under the Loan. However, no assurance can be given that such resources will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not occur as a result of any late payment of rent.

### **Default under the Nomination Agreement in respect of the Sheffield Property**

The short term agreement between GL Europe South Yorkshire UK Limited and Kaplan International Colleges under which such Management Company agrees to make available residential accommodation at the Sheffield Property for persons nominated by such institution in return for the payment of specified sums (being payable irrespective of whether such accommodation is utilised) (the "**Nomination Agreement**") contains provisions requiring that institution to identify potential occupiers and (in some cases) to make certain payments. The Nomination Agreement contains provisions allowing the relevant institution to terminate in the event of insolvency-related events relating to the relevant Management Company. There can be no assurance that such institution will make such payments (if required to do so pursuant to the Nomination Agreement) when due or at all and the relevant Borrower and/or the Management Company may suffer a loss as a result which may adversely affect the ability of that Borrower to meet its obligations under the Borrower Facility Agreement which, in turn, could result in Noteholders suffering a loss on their Notes.

### **Default under the Occupational Leases**

There is a risk that rental income due from the students and the other occupational tenants will not be paid on the due date or will not be paid at all. In the event of a late payment of rent which is not received on the due date therefor and, where the resultant shortfall is not otherwise compensated for from other resources of the Management Companies within the grace period for payment under the Leases, the Management Companies may fail to pay the amounts due under the Leases and consequently the Borrowers may fail to pay the amount due on the Loans on the next Loan Payment Date and a Default or Event of Default will occur. No assurance can be made that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any shortfall of interest on the Notes and that an Note Event of Default will not in fact occur as a result of the late payment of rent.

Where a room within a Property is or becomes vacant during a tenancy and cannot be immediately re-let, the rental income from the relevant Property may be affected, although the relevant Management Company may have a right to recover unpaid amounts from the relevant tenant or any guarantor of that tenant's obligations and to apply any rental deposit paid by that tenant in satisfying unpaid amounts. Where a room becomes vacant at the end of a tenancy and cannot be immediately re-let, the level of rental income from the relevant Property will be affected.

### **Default under Head Leases**

In the case of the Sheffield Property the interest held by the Sheffield Borrower is held as part freehold interest and as part leasehold interest, and in the case of the Trinity Square Property, the interest held by the Trinity Borrower is held solely as leasehold interest (in each case, such leasehold interests referred to as the "**Head Leases**").

As these Properties are held under leases, there is a risk in each such case that the landlord of the relevant Property may terminate the Head Lease before the expiry of the contractual term for failure to pay rent or another breach of tenant obligation. The rent obligations under these leases are for nil or nominal sums save in respect of the service charge payable in respect of Trinity Square (see *Property Portfolio Information- 116* ). The most onerous tenant obligation in the Head Leases is typically an obligation to keep the buildings in good

repair. The relevant Borrowers have undertaken in the Borrower Facility Agreement to pay, when due, all sums payable by it under each Head Lease, to perform and observe all of its covenants under each Head Lease and not to commit a material breach of any Head Lease.

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

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

### **Relief from forfeiture**

Relief is a discretionary remedy granted at the discretion of the court. Whilst its grant can never be guaranteed, a court is likely to look favourably on an application for relief provided the tenant: (i) has remedied the breach so far as the breach is remediable, (ii) has indicated that it intends to abide by the lease in future, and (iii) is able to place the landlord (in practical terms) in the same position as if the breach had not been committed (including paying the landlord's costs, together with compensation if necessary).

The main situations where relief is likely to be refused are: (i) where the breach in question was committed wilfully; (ii) where the breach causes stigma to apply to the premises; and/or (iii) where there has been a breakdown in relations between the parties. Relief will therefore be granted in many cases.

### **Reliance on the Initial Valuation**

The Initial Valuation, prepared by Knight Frank is set out in the valuation report dated 13<sup>th</sup> June 2014. Appendix 1 to this Prospectus ("*Short-form Valuation Report*") contains a short-form version of the Initial Valuation (the "**Short-form Valuation Report**"). However, there can be no assurance that the market value of the Properties will continue to be valued at a level equal to or in excess of such Initial Valuation. To the extent that the value of any of the Properties fluctuates, there is no assurance that the aggregate of the value of the Properties will remain at least equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Borrower Facility Agreement. If any Property is sold following a Loan Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full the amounts advanced against that Property as at the Closing Date.

### **Dependence on re-letting**

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

Properties subject to Occupational Leases (even if the subject of a nomination agreement) are generally short-term tenancies (usually up to a year) and so the relevant Properties will need to be re-let frequently. Nomination agreements may, in some circumstances, also be terminated during the life of the Borrower Facility Agreement either as a result of break clauses, default or expiry. The Asset Manager currently has a successful letting strategy. However, there can be no assurance that such space will be re-let or nomination agreements renewed or, if re-let or renewed, that new tenancy agreements or nomination agreements will be on terms as favourable to the relevant Management Company as those currently in



place or that the tenants under any new tenancy agreement or counterparties to any new nomination agreement will be as creditworthy as any tenants under existing tenancy agreements or counterparties under existing nomination agreements.

The ability to attract tenants paying rent levels sufficient to allow the Management Companies to pay amounts under the leases and, consequently, the Borrowers to make payments due under the Borrower Facility Agreement will be dependent, amongst other things, on tenant demand and rental levels which can be influenced by a number of factors, including relative prices of competing accommodation, availability of suitable space, demand for space and government policies on higher and further education. See further risk factor *"Rental income in respect of the Properties is dependent on the stability of tenants and other counterparties"*.

### **Uninsured loss in relation to the Property Portfolio**

The Borrower Facility Agreement requires the Borrowers to insure (or procure insurance) with respect to the Properties. There are, however, certain types of losses (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures) which are not covered by the required insurance policies. Losses resulting from terrorism, flooding, fire, lightning and civil commotion are currently covered by the insurance policies. There can be no guarantee, however, that losses from terrorism, flooding or certain other types of losses will remain insurable or economically insurable and therefore covered by the required insurance policies throughout the term of the Loan. No assurance can be given that material losses in excess of insurance proceeds received in respect of a Property will not occur in the future or that any insurance proceeds in respect of a Property will be received at all.

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

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

If such losses occur and are not covered by insurance, there could be an adverse effect on the Borrowers' business, financial condition and/or operations. The Borrowers' ability to repay the Loan and, in turn, the ability of the Issuer to meet its obligations under the Notes might be affected adversely if such an uninsured or uninsurable loss were to occur.

Pursuant to the Borrower Facility Agreement, the Borrowers are obliged to ensure that each insurance policy is in the names of the relevant Borrower or its holding company with the Borrower Security Trustee named on such insurance policy as co-insured and first loss payee other than in relation to public liability and third party liability insurances (except that this does not apply in the case of the Trinity Property, where such interest for the Borrower Security Trustee will be noted).

### **Matters affecting title in relation to the Property Portfolio**

Some of the Properties have restrictive covenants and/or defective title and/or absence of easement indemnity insurance. However, if any of the insurance policies were to be voided by the insurers or any of the insurers were to become unable to meet their commitments or

the insurance cover is inadequate, there is the potential for loss to arise to the Borrowers. As the Borrowers' only material assets are the Property Portfolio, such loss may result in the Borrowers being unable to make payments in full under the Loan, which in turn would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full.

### **Environmental risks in relation to the Property Portfolio**

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

If an environmental liability arises in relation to the Properties and it is not remedied, or is not capable of being remedied, this may result in the Properties either being sold at a reduced sale price or becoming impossible to sell. In addition, third parties may bring legal proceedings against a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site. These damages and costs may be substantial. In addition, the presence of substances on a property could result in personal injury or similar claims by private plaintiffs or pursuers.

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

### **Compliance with planning conditions**

There are one or more planning conditions that have not been formally discharged by the local planning authority ("LPA") in respect of each of the Properties. In particular for Nottingham 1, 2 and 3 and for Sheffield 3 there is no written evidence available that the LPA has confirmed satisfaction or discharge of a number of conditions. The Borrower's quantity surveyor has analysed those conditions which require works to be carried out for there to be strict compliance. He is, however, unable to quantify the cost of those conditions which required details to be submitted to and approved by the local planning authority as it is not possible to determine what the LPA would have approved. In all such cases the Borrower's planning consultants, GL Hearn, have advised that the planning risk is low. This assessment is based on their analysis including conversations with the local planning authority officers, site inspections, and their assessment that any issue could be dealt with retrospectively. Whilst the various local planning authorities appear comfortable with the developments at the moment, based on the Borrower's planning consultants' discussions with them, those views could change and local planning authorities are not bound by views previously expressed either orally or in writing.

### **Property management in relation to the Property Portfolio**

The net cash flow realised from the Properties may be affected by management decisions. As at the Closing Date, all of the Properties will continue to be managed as to general upkeep and day-to-day operations by Derwent on behalf of the relevant Borrower and each relevant Management Company.

While Derwent is experienced in, and focuses on, managing student accommodation, there can be no assurance that it will continue to act in that capacity. If the appointment of the Asset Manager is terminated, there is no assurance that an appropriate successor property manager could be engaged or engaged on appropriate terms.

The Borrower Security Trustee has no obligation to act as a property manager.

### **Delegation under the Transaction Documents**

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

None of the Borrowers or the Management Companies has executive management resources of its own and, as such, the Borrowers and the Management Companies will each rely upon, *inter alia*, the Asset Manager and other service providers for all asset servicing, executive and administrative functions. Failure by any such party to perform its obligations could have a material adverse effect upon the Issuer's ability to repay the Notes. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner, and engaged on terms acceptable to the Note Trustee, the Issuer Security Trustee, or the Borrower Security Trustee, as applicable. In either case this might cause a downgrading in the then current ratings of the Notes by the Rating Agency.

### **Compulsory purchase**

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

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

As a general rule, if an order is made in respect of all or any part of a property, compensation would be payable on a basis equivalent to the open market value of the owners' proprietary interests in the property at the time of the purchase, so far as those interests are included in the order, taking account of diminution in value of any retained land and other adverse impacts of the compulsory purchase.

There is often a delay between the compulsory purchase of a property and payment of compensation, although advance interim payments of compensation may be available where the acquiring authority takes possession before compensation has been granted.

It is possible that a compulsory purchase order may be made in respect of one or more of the Properties in the future. In such event, there is no guarantee that the amount or timing of the compensation received in connection with any compulsory purchase order of a Property, would not have an adverse effect on the ability of the Management Companies to make payments under the Leases and, consequently, the ability of the Borrower to make payments

under the Borrower Facility Agreement. Accordingly, it is possible that a compulsory purchase order may have an effect on the resources available to the Issuer to make payments on the Notes.

### **Reports and valuations in relation to the Property Portfolio**

There is a risk that there may be factors concerning the title to the Properties which would, if known, affect their market value. In order to mitigate this risk, the below certificates and reports have been produced. However, there can be no assurance that such certificates and reports will have identified all relevant factors relating to title.

Apart from the certificates of title, the property reports on title prepared in respect of the Properties (the "**Materiality Reports**"), the Initial Valuation, and the building condition surveys prepared in relation to the Properties (the "**Buildings Condition Surveys**"), no reports have been prepared specifically for the purpose of the transactions contemplated herein and none of the Issuer, the Arranger, the Borrower Security Trustee, the Borrowers, the Management Companies, the Issuer Security Trustee or the Note Trustee has made any independent investigation of any of the matters stated therein, except as disclosed in this Prospectus.

There can be no assurance that the market value of a Property or the Property Portfolio as a whole will continue to be equal to or exceed the valuations given to it in the Initial Valuation. Each valuation is inherently subjective due to, among other factors, the individual nature of each Property, its location and the expected future rental revenues from that particular Property at a particular point in time, and subject to various limitations, qualifications and assumptions. Assumptions often differ from the current facts regarding such matters, may prove to be inaccurate, and are subject to various risks and contingencies, many of which are not within the control of the Issuer, the Borrower Security Trustee or the Issuer Security Trustee. Moreover, a valuation is only an estimate of value at the date it is given and should not be relied upon as a measure of realisable value in the future. Further, a valuation seeks to establish the amount a typically motivated buyer would pay a typically motivated seller. Such amount could be significantly higher than the amount obtained from the sale of any of the Properties in a distress or liquidation sale. In addition, due to the inherently subjective nature of a valuation (a) it is unlikely that any two valuers will determine the same market value of a property, even if provided with the same information relating thereto, and as such (b) a margin of error between two valuations is commonly accepted.

The assumptions and risks relating to the Initial Valuation are set out in section "*Valuation Procedures and Assumptions*", in the section entitled "*Scope of enquiries & investigations*" of the Short-form Valuation Report contained in Appendix 1 to this Prospectus.

### **Property Portfolio may include properties with latent defects**

There is a risk that buildings which have been constructed as part of any of the Borrowers' properties may have a latent design defect which has not yet come to light and could require capital expenditure to remedy the defect which is not currently budgeted for. The recovery of those sums is a business risk and would not generally relieve the relevant Borrower from its obligations to keep the buildings in a good state of repair and condition. In the event a latent defect requires significant capital expenditure and/or a Borrower is unable to recover the costs of remediation from other sources, such expenditure could have an effect on the relevant Borrowers' ability to service the Loan, which may in turn impact the Issuer's ability to make interest payments and meet redemptions on the Notes.

### **Sinking funds established by the Management Companies may prove to be insufficient**

The Management Companies currently make provision for the renewal and maintenance of various building components and fabric. These amounts have been assessed by reference to building conditions surveys and/or the anticipated life cycle of the specified materials in relation to new build projects. These amounts have been assessed by the Asset Manager using condition surveys, reports from the Contractor and their own regular site inspections to identify the work required each year to maintain the Properties to the appropriate standard. The adequacy of the sinking fund may over time prove to be less than required for the following reasons, among others:

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

In the event a sinking fund proves insufficient, the relevant Management Company may need to fund renewal and maintenance works from other sources which could have an effect on the resources available to that Management Company to make payments under the relevant Lease and, therefore, the Borrowers' ability to service the Loan, which may in turn impact the Issuer's ability to make interest payments and meet redemptions on the Notes.

**Changes in the Management Companies' tax status or to tax legislation may affect the Issuer's ability to fulfil its commitments**

Tax rules and their interpretation may change. Any change to the tax status of any Management Company or to taxation legislation or its interpretation may affect the Management Companies' ability to realise income on investments and a return on any disposal of investments. Reduced income and capital returns on investments may have an adverse effect on the Management Companies' ability to make payments due under the Leases, which may in turn impact the Borrowers' ability to make payments due under the Loan, which may in turn impact the ability of the Issuer to make payments due in respect of the Notes.

## **Consultation on United Kingdom capital gains tax for non-residents disposing of UK residential property**

The government is proposing to charge to UK capital gains tax (CGT) gains realised by non-UK residents from April 2015 on disposals of UK residential property and has recently consulted on this proposal. Certain exemptions are proposed by the government, e.g. for gains realised on the disposal of property providing residential accommodation to school pupils, halls of residence and residential property owned by widely held funds (where there is genuine diversity of ownership). However, the precise scope of these exemptions is not yet known. Further, the government has announced that it is not proposing to exclude gains on disposals of residential accommodation for students (other than halls of residence) from the proposed CGT charge. Views were sought in relation to this proposal, and significant representations have been made to the UK government in this regard; however, while draft legislation is awaited, the scope of the proposed CGT charge is uncertain.

### **SDLT multiple dwellings relief**

Stamp duty land tax ("**SDLT**") multiple dwellings relief ("**MDR**") was claimed on the acquisition of properties in October 2013 and December 2013, reducing the amount of SDLT payable on the acquisitions from 4% to 1%. The amount of SDLT payable was reduced, as a result of MDR, by approximately £2.43 million in relation to the October 2013 acquisitions and approximately £630,000 in relation to the December 2013 acquisition.

In relation to the October 2013 acquisitions, a disclosure letter was submitted in December 2013 to the HMRC Complex Transactions Unit setting out the basis of the MDR calculations. A disclosure letter for the December 2013 acquisition is currently being finalised and will be submitted in due course.

As at the date of this Prospectus, HMRC have not raised any questions with regard to the disclosure letter for that has been submitted or the relevant SDLT returns; however the (nine-month) enquiry period during which they may do so remains open until October 2014. Where full disclosure has not been made, HMRC has the ability to issue a discovery assessment where they believe there has been an underpayment of tax, usually within four years of the date of the transaction. As such, it is possible that HMRC may seek to challenge the application of MDR on the acquisitions and/or the basis on which it has been claimed. Any such challenge by HMRC could result in the withdrawal of MDR, resulting in additional SDLT liabilities being charged to the Borrowers by HMRC. This could negatively impact the cashflows available to the Borrowers to make payments on the Loan to the Issuer which, in turn, could impair the ability of the Issuer to make payments to the Noteholders under the Notes.

### **RRP change of use self-supply UK VAT charge**

In relation to their acquisition of the relevant Properties, certain of the Borrowers, namely GL Europe Summit S.à r.l., GL Europe Sheffield 1 S.à r.l., and GL Europe Nottingham 12 S.à r.l., certified, in accordance with the Value Added Tax Act 1994 ("**VATA 1994**"), that the use of the relevant Properties (the "**RRP Certified Properties**") will only be for a 'relevant residential purpose' ("**RRP**"), as defined in VATA 1994, in order to ensure that the acquisition of the relevant Property was zero-rated for UK VAT purposes.

*Prima facie*, on the basis of such certification, if those parts of such RRP Certified Properties related to student accommodation cease to be used solely for an RRP in the ten years following the date of the RRP certification, such change of use may result in substantial VAT and/or VAT related costs for the Borrower and/or the Management Companies.

In order to mitigate this risk, provisions have been included in each of the Leases relating to such RRP Certified Properties to ensure that the RRP Certified Properties are used and

continue to be used solely for an RRP. In addition, the risk of a self-supply charge arising for any of the Borrowers as a result in a change in use of a RRP Certified Property may also be mitigated insofar as (i) the relevant Property might possibly be treated as dwellings for VAT purposes and may therefore be zero-rated in any event; and (ii) it may be possible to structure any sale of the relevant RRP Certified Properties as a sale of the shares in the respective Borrowers owning such RRP Certified Properties rather than as a sale of the interest in the relevant RRP Certified Property itself.

Nevertheless, were any such charge to VAT and/or costs related thereto to arise, such charge/costs could negatively impact on the ability of the Borrowers to make payments on the Loan which could, in turn, impair the ability of the Issuer to make payments to Noteholders under the Notes.

### **Management Companies are exposed to health and safety risks**

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

One area of importance is the regulation of houses in multiple occupation (also known as HMOs). HMO regulation was introduced in 2006 to improve the quality of existing private rented stock both in terms of physical condition and management. The regulation falls on local authorities to licence HMOs, and should the regime extend to the Management Companies' accommodation this would result in an additional compliance burden they do not currently undertake. However, the Contractor is required to comply with the ANUK Code of Practice in respect of each Property.

Such unplanned or unbudgeted capital expenditure, or payment of any significant fines, may reduce the amounts otherwise available to the Borrowers to make payments to the Issuer under the relevant Loan, which may in turn impact the ability of the Issuer to make timely payments in respect of the Notes.

### **Costs may increase**

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

- the rate of inflation;
- staff and energy costs;
- property taxes and other statutory charges;
- insurance premiums; and
- the costs of maintaining properties.

Such increases could have a Material Adverse Effect on the Management Companies' business, financial conditions or results of operations.

### **Real estate valuations may fall or be difficult to realise**

The value of the Borrowers' Property Portfolio may fall. This may be as a result of a reduction in the rental rates achievable in respect of certain or all of the Properties, or of other factors. These factors may include general economic conditions, such as the availability of credit

finance and the performance of the UK economy, or particular local factors such as competition. Further, the valuation of real estate is inherently subjective and there can be no guarantee that any sale by the Borrowers of any of their properties will necessarily realise the value at which such property is held in the relevant Borrowers' accounts.

Real estate is illiquid and can be difficult to sell. In the event that the Borrowers are unable to sell properties, the Borrowers may be unable to realise cash from their investments portfolio. Such impact may adversely affect the Borrowers' ability to make payments under the Loan, which may in turn impact the ability of the Issuer to make payment in respect of the Notes.

**There is a risk of accidents causing personal injury at premises leased by the Management Companies, which could result in litigation against the Management Companies and/or harm to the Management Companies' reputation**

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

**Property investment may be affected by legal and regulatory changes**

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

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

In addition, investors should note that changes in the legal framework concerning planning rules in the UK may negatively influence the values of properties.

From time to time, regulations are introduced which can impact on the costs of property ownership and which can affect returns. In recent periods those have included provisions for the containment and management of asbestos in buildings, regulations concerning the provision of access for disabled persons, and provisions for the measurement and reporting of the energy efficiency of buildings. Such impact may adversely affect the Management Companies' ability to make payments under the Leases, which may in turn impact the Borrowers' ability to make payments under the Loan, which may in turn impact the ability of the Issuer to make payment in respect of the Notes.



## **The Management Companies are exposed to demand risk and a potential fall in occupancy**

The Management Companies are exposed to demand risk each year up to and until a student enters into a legally binding commitment to accept an offer of a room in the accommodation. For further details see the section of this Prospectus entitled "*The Management Companies' Business*".

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

- sector-related factors that influence the overall numbers of students undertaking courses of study, including the funding of higher education, changes to tuition fees and the United Kingdom government's policy to drive greater competition between institutions in particular for high achieving students;
- factors that influence the number of students undertaking courses of study at the universities in the vicinity of the relevant student accommodation including the relative attractiveness of that university compared to alternative higher education institutions;
- factors affecting the specific demand for the Management Companies' accommodation, including the quality of the offerings available, the proximity of accommodation to the campus, the facilities it has to offer, as well as the price of the accommodation relative to alternatives;
- changes in Government policy on higher education (such as tuition fee increases or changes to immigration rules) may reduce the number of students and/or reduce the disposable income of students (and therefore the amount available to be spent on accommodation); and
- supply side factors including overall supply of alternative accommodation and the risk of increased supply over time.

## **Management Companies may have to set the rents at lower levels in order to maintain occupancy levels**

The implications of demand risk are that a Management Company's accommodation may not be full at the rent levels set, or, in order to sustain demand, a Management Company may have to reduce the rent to compete for students. This would impact the revenue earned by the Management Company.

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

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

HEFCE funding was reduced from the start of the 2012/2013 academic year. As a consequence, the universities' publicly funded income is becoming more dependent upon the tuition fees that it receives from students. Under the new funding arrangements, a significant

proportion of public funding will go directly to students in the form of a loan from the Student Loan Company (rather than from HEFCE directly to universities in the form of a grant).

In future the level of funding provided by HEFCE will generally be based on research quality and so the ability of a university to receive research funding for its research from HEFCE will be influenced by its ability to carry out research recognised as internationally excellent and world leading.

It is unclear how the changes in university funding will affect overall student numbers in England. Any decrease in the numbers of students pursuing courses of study could have a consequent effect on the rents a Management Company is able to collect and, as a result, affect the Management Company's ability to make payments under the relevant Lease and therefore the Borrowers' ability to make payments due under the Loan and therefore the Issuer's ability to make payments due in respect of the Notes.

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

Universities currently receive a significant proportion of their income from tuition fees. In 2011/2012, existing UK/EU students were charged up to a maximum of £3,465 per year in tuition fees by each university. For the academic year 2012/2013, universities in England and Wales were able to charge each new student up to a maximum of £9,000 per year in tuition fees. This increase in fees will help to counter the reduction in the level of teaching funding that universities will receive from HEFCE, however the capacity to off-set this fall in funding will be dependent upon the ability of a university to attract students. Any increase in the costs of studying may have a negative effect on student numbers and a consequent effect on the demand for student accommodation which may impact the ability of the Management Companies to make payments under the Leases, therefore the Borrowers' ability to make payments due under the Loan and therefore the Issuer's ability to make payments due in respect of the Notes.

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

The amount that a university is able to charge its students is subject to any maximum amount that the UK government (or the Scottish Government in the case of universities in Scotland) specifies and the current or future administrations may increase or decrease this amount depending upon its higher education policies. There is no guarantee that the government's approach to tuition fees, and higher education funding generally, will remain consistent. Any further increase in the level of tuition fees may affect the number of prospective students who choose to apply for a place on a course with a university and thereby decrease demand for residential accommodation.

A significant decrease in the number of students seeking residential accommodation in the Properties may reduce the income earned by the Management Companies in respect of such Properties. Such reduction may impact the ability of the Borrower to make payments to the Issuer under the Loan, which may in turn impact the ability of the Issuer to make timely payments in respect of the Notes.

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

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

### **Demographic changes may affect demand for courses of study and accommodation provided by the Management Companies**

Demand for higher education is driven by a combination of demography and social mix. Whilst demography represents one of the key engines of growth, participation is also substantially affected by the changing social mix of the population. According to the Higher Education Policy Institute, students under 21 years old represent the dominant group in higher education. Any change in the size of this population group could have a negative impact on demand for higher education, the demand for student accommodation and in turn the results of operations of the Management Companies and their ability to make payments under the Leases which may negatively impact the Borrowers' ability to service amounts due to the Issuer under the Loan and therefore the Issuer's ability to make timely payments under the Notes.

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

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

To ensure that institutions are focused on the provision of quality courses and facilities as well as value for money, the government have introduced a "core and margin" approach to student recruitment which may increase competition. This approach will see universities continuing to receive a "core" number of home and EU full-time undergraduate entrants based on their historic numbers. However, approximately one-fifth of all first year new entrant places are now open to competition between those institutions whose average grade offer is AAB or above, and those whose average tuition fee is £7,500 per annum or less. Institutions who fulfil these criteria are able to recruit as many students from this pool of new entrants as they wish. In future years, the AAB+ threshold will be lowered (for example, in 2014/15 the AAB element of the margin will be extended to ABB).

There is a risk that overall enrolment growth could show more variability on a year to year basis going forward on the basis of these amendments and may have an effect on the demand for accommodation in the Properties owned by the Borrowers.

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

### **Demand for accommodation provided by the Management Companies may be affected by increasing competition between operators and increasing levels of residential development**

The student accommodation market is characterised by approximately a dozen operators of more than 5,000 rooms and whilst growth in student enrolment has continued, as supply has increased so has the level of competition between operators for students. There is a risk that increasing residential supply in some student cities could place greater pressure on price and that this may impact on the capacity of a Management Company to secure the level of occupancy required for it to service its obligations under the relevant Lease. This in turn

might affect the ability of the Borrowers to service the Loan, which may in turn impact the Issuer's ability to make payments on the Notes.

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

**The asset mix and risk profile of the Borrowers may change over time as a result of further property acquisitions**

The asset mix and risk profile of the Borrowers may change over time, in connection with an issue of Additional Notes, relating to an acquisition of a New Property in accordance with the terms of the Borrower Facility Agreement. As a consequence of a New Property being acquired, the relevant new borrower may hold a greater proportion of the overall supply of rooms for a particular geographical area. A New Property must satisfy certain criteria as set out under "*Property Portfolio Information – Additional Asset Acquisitions*" on page 116, including, if the acquisition of such property is funded from the issue of Additional Notes, that the issue of Additional Notes would not reduce the credit rating of the Notes as at the Closing Date.

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

A university is responsible to HEFCE for acting in accordance with its governance obligations, to manage itself and the money it receives appropriately and to comply with the requirements imposed on it by virtue of its exempt charitable status. A university must comply with certain requirements which are specified in HEFCE's Financial Memorandum and Audit Code of Practice. As part of these obligations and before entering into new long-term financial commitments, institutions must obtain written consent from HEFCE if the annual servicing cost of its total financial commitments would be more than 4 per cent. of its annual income. If the annual servicing cost would be more than 7 per cent. of its annual income then approval of the HEFCE board must be sought. In addition, HEFCE may intervene in an institution's management if, in its judgment, the institution faces threats to the sustainability of its operations either now or in the medium term.

In addition, the Secretary of State has the power to dissolve any higher education corporation and provide that its property, rights and liabilities (which could include its contractual obligations to a Management Company) are transferred to another institution. To date no such dissolution has occurred, but should such an event occur, it could have a negative impact on the business of the relevant Management Company and its ability to pay amounts due under the relevant Lease and, as a consequence, the Borrowers' ability to service the Loan, which may in turn impact the Issuer's ability to make payments on the Notes.

**D. GENERAL RISK FACTORS**

**Mortgagee or security holder in possession liability**

The Issuer, the Borrower Security Trustee or the Issuer Security Trustee (if it has taken enforcement action against the Issuer) may be deemed to be a mortgagee or security holder in possession if there is physical possession of a Property or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to a tenant under a Lease requiring it to pay rents to the Borrower Security Trustee, the Issuer or the Issuer Security Trustee (as the case may be). In a case where it is necessary to initiate

enforcement procedures against the Borrower, the Borrower Security Trustee or the Issuer Security Trustee (if it has taken enforcement action against the Issuer) is likely to appoint a receiver to collect the rental income on its behalf or that of the Issuer, which should have the effect of reducing the risk that they would be deemed to be mortgagees or security holders in possession.

A mortgagee or security holder in possession must account for income obtained from the relevant property and, in the case of tenanted property, will be liable to a tenant for any mismanagement of this. A mortgagee or security holder in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

The Issuer Security Trustee has the absolute discretion, at any time, to refrain from taking any action under the Deed of Charge and Assignment, including becoming a mortgagee or security holder in possession in respect of any Property, unless it is satisfied at that time that it is adequately indemnified and/or secured and/or prefunded to its satisfaction against any liability which it may incur by so acting.

The Borrower Security Trustee has the absolute discretion, at any time, to refrain from taking any action to enforce any security provided in relation to the Borrower Facility Agreement including becoming a mortgagee or security holder in possession in respect of any Property, unless it is satisfied at that time that it is adequately indemnified and/or secured and/or prefunded to its satisfaction against any liability which it may incur by so acting.

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

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

A small company is defined for these purposes by reference to whether the company meets certain tests contained in Section 382(3) of the Companies Act 2006, relating to a company's balance sheet, total turnover and average number of employees in a particular period. The position as to whether or not a company is a small company may change from period to period, depending on its financial position and average number of employees during that particular period. The UK Secretary for State for Business, Enterprise and Regulatory Reform may by regulations also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definitions of a small company. Accordingly, any of the Borrowers may, at any given time, come within the ambit of the small companies provisions, such that any such Borrower may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may, nonetheless, be excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment. The definitions of capital market arrangement and capital market investment are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a

trustee, and the issue of rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The UK Secretary of State for Business, Enterprise and Regulatory Reform may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

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

### **Risks relating to conflicts of interest**

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Loan. The properties securing any such loans may be in the same market as the Properties. Consequently, personnel of the Servicer or the Special Servicer, as the case may be, may perform services on behalf of the Issuer with respect to the Loan at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on each of the Servicer and the Special Servicer to perform their respective servicing obligations in accordance with the terms of the Servicing Agreement (including the Servicing Standard), such other servicing obligations may pose inherent conflicts for the Servicer or the Special Servicer.

### **Appointment of substitute Servicer or Special Servicer**

Prior to or contemporaneously with any termination of the appointment of the Servicer or the Special Servicer, it would first be necessary for the Issuer to appoint a substitute Servicer or Special Servicer, as applicable. The ability of any substitute Servicer or Special Servicer, as applicable, to administer the Loan successfully would depend on the information and records then available to it. There is no guarantee that a substitute Servicer or Special Servicer, as applicable, could be found who would be willing to administer the Loan at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though the Servicing Agreement will provide for the fees payable to a substitute Servicer or Special Servicer to be consistent with those payable generally at that time for the provision of loan servicing services in relation to commercial properties). The fees and expenses of a substitute Servicer or Special Servicer would be payable in priority to payments due under the Notes.

### **Collection and enforcement procedures**

If the Servicer or the Special Servicer considers that formal enforcement proceedings should be commenced, this is likely to be done by instructing the Borrower Security Trustee under the Borrower Facility Agreement to appoint a non-administrative receiver or an administrator. The Borrower Security Trustee may appoint a receiver with respect to the Properties (an "**LPA Receiver**"). The powers of an LPA Receiver derive not only from the mortgage under which he has been appointed but also from the Law of Property Act 1925 and such LPA Receiver is deemed by law to be the agent of the entity providing security until the commencement of liquidation proceedings against such entity. For as long as an LPA Receiver acts within its powers, the LPA Receiver will only incur liability on behalf of the entity providing security but if the Borrower Security Trustee or the Servicer or Special Servicer unduly directs or interferes with and influences the actions of an LPA Receiver, a court may

decide that the LPA Receiver would be the security holder's agent rather than the agent of the entity providing security, and that the security holder should, under such circumstances, be responsible for the acts of the LPA Receiver. Any costs of the receiver will be paid in advance of any amounts paid to the Issuer and thus may reduce amounts available to make payments to Noteholders.

### **Litigation**

There may be pending or threatened legal proceedings, arising from one or more of the above factors or others, against the Borrowers. Each Borrower has represented in the Borrower Facility Agreement that, on the Closing Date, no litigation is current, pending or, to its knowledge, threatened in respect of itself which has, or if determined adversely to it could reasonably be expected to, materially adversely affect the market value of the Properties, but there can be no assurance that such litigation will not arise in the future.

### **Reliance on third parties**

Both the Issuer and the Borrowers have entered into agreements with a number of third parties which have agreed to provide certain services. In particular, but without limitation, the Servicer and the Special Servicer have been appointed to service the Loan on behalf of (inter alia) the Issuer, the Cash Manager has been appointed to provide cash management services on behalf of the Issuer and the Issuer Account Bank has been appointed to provide bank accounts to the Issuer. In the event any of those parties fail to perform their respective obligations under the relevant agreement to which it is a party, the ability of the Borrowers to make payments under the Loan and/or the ability of the Issuer to make payments to the Noteholders may be affected.

### **Changes to the risk weighted asset framework**

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

Articles 405 to 409 ("**Articles 405 to 409**") and Articles 51 to 53 of the AIFMD Regulation provide, among other things, that an EU credit institution may only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Articles 405 to 409 and Articles 51 to 53 of the AIFMD Regulations in relation to any applicable investment may result in an increased capital charge to or increased risk weighting applying to such investor in respect of that investment.

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

The Issuer is of the opinion that the Notes do not constitute an exposure to a *securitisation position* for the purposes of Articles 405 to 409 and Articles 51 to 53 of the AIFMD Regulations. Further, the definition of "securitisation" in the CRR requires that the Transaction involves 'tranching' of risk, and in this Transaction there is only one class of Notes and

therefore no 'tranching'. The Issuer is, therefore, of the opinion that the requirements of Articles 405 to 409 and Articles 51 to 53 of the AIFMD Regulations should not apply to investments in the Notes.

Investors should be aware that the regulatory capital treatment of any investment in the Notes will be determined by the interpretation which an investor's regulator places on the provisions of the CRR and the provisions of national law which implements it. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore, some uncertainty remains as to which transactions are subject to Articles 405 to 409 and Articles 51 to 53 of the AIFMD Regulations.

Analogous requirements to those set out in Articles 405 to 409 and Articles 51 to 53 of the AIFM Regulations have been and/or are expected to be implemented for other EU regulated investors, including UCITS, alternative investment funds, investment firms and insurance or reinsurance undertakings (when the directive known as "**Solvency II**" comes into force).

Articles 405 to 409 and Articles 51 to 53 of the AIFMD Regulations and/or any such analogous requirements and/or any further changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

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

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

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for credit institutions. In particular, the changes refer to among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short term and longer term standards for funding liquidity (referred to as the Liquidity Coverage ratio and the Net Stable Funding Ratio). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as "**CRD IV**") were published in July 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

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



## **Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Notes for certain investors**

Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio “backstop” for financial institutions and certain minimum liquidity standards (referred to as the liquidity coverage ratio and the net stable funding ratio).

It is intended that member countries will implement the new capital standards and the new liquidity coverage ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the net stable funding ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 15 per cent.

Implementation of the Basel III framework and any changes as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the existing Basel framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **Book-entry form of Notes**

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

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

### **The Notes are subject to exchange rate risks and exchange controls risks**

The Issuer will pay principal and interest on the Notes in sterling. This presents certain risks relating to currency conversions if a Noteholder’s financial activities are denominated principally in a currency or currency unit (the “**Noteholder’s Currency**”) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Noteholder’s Currency) and the risk that authorities with jurisdiction over the Noteholder’s Currency may impose or modify exchange controls. The Issuer has no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies.

Moreover, if payments on certain Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. An appreciation in the value of the Noteholder's Currency relative to sterling would decrease the Noteholder's Currency-equivalent yield on the Notes, the Noteholder's Currency-equivalent value of the principal payable on the Notes and the Noteholder's Currency-equivalent market value of the Notes.

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

### **European Monetary Union**

It is possible that, prior to the maturity of the Notes, the United Kingdom will become a participating Member State in Economic and Monetary Union and that therefore the euro will become the lawful currency of the United Kingdom. If so, (a) all amounts payable in respect of the Notes may become payable in euro, (b) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed and (c) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and to take additional measures in respect of the Notes.

If the euro becomes the lawful currency of the United Kingdom and the Notes are outstanding at the time, the Issuer intends to make payments on the Notes in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrowers' ability to repay the Loan.

### **Risks relating to the Banking Act 2009**

If an instrument or order were to be made under the Banking Act 2009 in respect of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of FSMA (such as the Issuer Account Bank), such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes and may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. While there is provision for compensation in certain circumstances under the Banking Act 2009, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. As at the date of this Prospectus, none of the FCA, HM Treasury or the Bank of England have made an instrument or order under the Banking Act 2009 in respect of the relevant entities referred to above and there has been no indication that the FCA, HM Treasury or the Bank of England will make any such instrument or order, but there can be no assurance that this will not

change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

## **FATCA**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, and US Treasury regulations promulgated thereunder that took effect on 28 January 2013, as amended from time to time (together "**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether such investor is a U.S. person or should otherwise be treated as holding a United States Account of the Issuer (a "**Recalcitrant Holder**").

FATCA implementation is being phased in from 01 July 2014 for payments from sources within the United States and is currently proposed to apply to "foreign passthru payments" (a term not yet defined) made by an FFI to a non-participating FFI or Recalcitrant Holder no earlier than 01 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes issued or materially modified on or after the "grandfathering date", which is the later of (a) 01 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term 'foreign passthru payment' are filed with the Federal Register; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and Additional Notes of the same series are issued on or after that date, the Additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions announced their intention to enter into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). In some cases such IGAs have been signed; in other cases, negotiations are still ongoing. Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, most FFIs in an IGA signatory country should be treated as a "Reporting FI" that would generally not be subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA or agreement with the IRS relating to FATCA) (any such withholding being a "**FATCA Withholding**") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes or, in certain limited circumstances, where the payments are made to a Recalcitrant Holder). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The US IRS announced in Notice 2013-43 its intention to provide a list of jurisdictions that will be treated as having in effect an IGA, even though that IGA may not have entered into force as of 01 July 2014. The United States and Luxembourg have entered into an agreement (the "**US-Luxembourg IGA**") based largely on the Model 1 IGA.

The Issuer is currently not expected to be required to make any FATCA Withholdings from the payments it makes. There can be no assurance, however, that the Issuer would not in the future be required to deduct FATCA Withholding from future payments. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such

Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If a FATCA Withholding were to be made from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay any additional amounts as a result of the FATCA Withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within a clearing system, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer or any paying agent for such clearing system, given that each of the entities in the payment chain between the Issuer and the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that, in certain specific circumstances, the Notes may convert into definitive form and therefore cease to be held through a clearing system. If this were to happen then, depending on the circumstances, payments to a non-FATCA compliant holder could be subject to FATCA Withholding. However, conversion into definitive notes is only anticipated to occur in remote circumstances.

However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose the custodians or intermediaries with care (to ensure that each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms and/or other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the depository for the clearing system (as legal owner of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the clearing systems and custodians or intermediaries.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER AND THE NOTES IS UNCERTAIN AT THIS TIME. THE ABOVE DESCRIPTION IS BASED IN PART ON REGULATIONS, OFFICIAL GUIDANCE AND MODEL IGAS, ALL OF WHICH ARE SUBJECT TO CHANGE OR MAY BE IMPLEMENTED IN A MATERIALLY DIFFERENT FORM. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND NOTEHOLDERS ARE NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR THE PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCE.

### **Change of law**

The structure of the issue of the Notes and the ratings which are to be assigned to the Notes are based on English law and European laws and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, European law or administrative practice after the date of this Prospectus, nor

can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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

## TRANSACTION OVERVIEW

The information set out below is an overview of various aspects of the transaction. This overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

<b>Closing Date</b>	The Issuer will issue the Notes on 29 <sup>th</sup> August 2014 (the " <b>Closing Date</b> ").
<b>Underlying Assets</b>	The primary source of funds for the payment of principal, interest and other amounts by the Issuer on the Notes will be the right of the Issuer to receive interest payments and principal repayments, fees and expenses payable under a loan granted to GL Europe Sheffield 1 S.à r.l., GL Europe Nottingham 12 S.à r.l., GL Europe Trinity Square S.à r.l. and GL Europe Summit S.à r.l. (each a " <b>Borrower</b> " and together the " <b>Borrowers</b> ") on the Closing Date. The primary source of funds for payment of principal, interest and other amounts by the Borrowers under the Loan will be the right of the Borrowers to receive income under the leases (the " <b>Leases</b> ") and, indirectly, will be GL Europe South Yorkshire UK Limited, GL Europe Nottingham UK Limited, GL Europe Trinity Square UK Limited and GL Europe Summit UK Limited's (each a " <b>Management Company</b> " and together the " <b>Management Companies</b> ") right to receive rental payments and other income in respect of a portfolio of student accommodation.
<b>Liquidity Support</b>	On the Closing Date the Borrowers will deposit £3,000,000 in an interest reserve account opened and maintained in the name of the Issuer (the " <b>Issuer Interest Reserve Account</b> ") (such amount, the " <b>Interest Reserve</b> " or the " <b>Interest Reserve Amount</b> "). Any amounts standing to the credit of the Issuer Interest Reserve Account, including any accrued interest thereon (the " <b>Reserve Interest</b> "), will be held on bare trust by the Issuer for the Borrowers absolutely and shall belong to and be beneficially owned by the Borrowers. The Issuer shall, or the Cash Manager on its behalf, on each Loan Payment Date, shall apply the Reserve Interest (or if the Reserve Interest is insufficient, withdraw from the Issuer Interest Reserve Account and apply) such an amount as may be needed to remedy the occurrence of a default of the Borrowers to pay interest under the Loan (each an " <b>Interest Payment Shortfall</b> "). In such circumstances, the Issuer (or the Servicer or Special Servicer on its behalf) shall calculate the Interest Payment Shortfall and the Issuer shall withdraw an amount equal to the Interest Payment Shortfall (the " <b>Reserve Drawing</b> ") and apply such an amount on behalf of the Borrowers in satisfaction of such Interest Payment Shortfall and the Borrowers will be obliged to pay into the Issuer Interest Reserve Account an amount equal to such Reserve Drawing within 10 Business Days, subject to any Disposal Reserve Amount. In order to exercise the extension option the Borrowers are required to increase the Interest Reserve Amount to reflect the increase in Margin to the Step-Up Margin.

	The Issuer will not have the benefit of any facility from a third party to provide liquidity support for its payment obligations (including the Notes).
<b>Redemption Provisions</b>	Information on any optional and mandatory redemption of the Notes is summarised on page 61 ( <i>Overview of the Terms and Conditions of the Notes</i> ) and set out in full in Condition 6.
<b>Credit Rating Agencies</b>	S&P (the " <b>Rating Agency</b> ") is authorised under the CRA Regulations.
<b>Credit Ratings</b>	<p>A rating is expected to be assigned to the Notes as set out above on or before the Closing Date.</p> <p>The rating assigned by S&amp;P addresses the likelihood of (a) timely payment of interest due to the Noteholders on each Interest Payment Date and (b) full payment of principal by a date that is not later than the Final Maturity Date.</p> <p>The assignment of ratings to the Notes is not a recommendation to invest in the Notes. Any credit rating assigned to the Notes may be revised or withdrawn at any time.</p>
<b>Listing</b>	This document comprises a prospectus (the " <b>Prospectus</b> "), for the purpose of Directive 2003/71/EC (the " <b>Prospectus Directive</b> "). An application has been made to the CSSF as competent authority under the Prospectus Directive in order for the Prospectus to be approved. An application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List (the " <b>Official List</b> ") and to trading on its regulated market. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the " <b>Markets in Financial Instruments Directive</b> ").
<b>Further Issues</b>	From time to time the Issuer may, in accordance with Condition 18 (Further Issues), issue further notes (the " <b>Additional Notes</b> ").
<b>Obligations</b>	The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of GL Europe RE1 Bondco Holdings S.à.r.l., its affiliates or any other party, including those named in the Prospectus.

#### TRANSACTION PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/ Further Information</b>
<b>Issuer</b>	AYR ISSUER S.A.	9B Boulevard Prince Henri, L-1724, Luxembourg	N/A. See the section entitled " <i>The Issuer</i> " on page 86 for more detail.

<b>Servicer</b>	Solutus Advisors Limited (the " <b>Servicer</b> ")	4-6 Throgmorton Avenue, London EC2N 2DL	The Servicer will be appointed to act as servicer of the Loan and the Loan Security and to undertake certain duties in relation to the Transaction Documents pursuant to a servicing agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Servicer and the Special Servicer (the " <b>Servicing Agreement</b> "). See the section entitled " <i>The Servicing Arrangements</i> " on page 201 for more detail.
<b>Special Servicer</b>	Solutus Advisors Limited (the " <b>Special Servicer</b> ")	4-6 Throgmorton Avenue, London EC2N 2DL	The Special Servicer will be appointed to act as special servicer of the Loan and the Loan Security and to undertake certain duties in relation to the Transaction Documents pursuant to the Servicing Agreement.  See the section entitled " <i>The Servicing Arrangements</i> " on page 201 for more detail.
<b>Cash Manager</b>	Elavon Financial Services Limited, UK Branch (the " <b>Cash Manager</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Cash Manager will be appointed pursuant to a cash management agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Cash Manager and the Issuer Account Bank (the " <b>Cash Management Agreement</b> "). See the section entitled " <i>Cash Management for the Issuer</i> " on page 221 for more detail.



<b>Cap Provider</b>	An entity with a long-term rating of at least "A+" or its equivalent by S&P (the " <b>Cap Provider</b> ")	N/A	The Issuer and the Cap Provider will enter into a Cap Agreement, as defined and described in more detail in the section entitled " <i>Description of the Interest Rate Cap Transaction</i> " on page 100.
<b>Issuer Account Bank</b>	Elavon Financial Services Limited, UK Branch (the " <b>Issuer Account Bank</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Issuer Account Bank will be appointed pursuant to the Cash Management Agreement. See the section entitled " <i>Cash Management for the Issuer</i> " on page 221 for more detail.
<b>Note Trustee</b>	U.S. Bank Trustees Limited (the " <b>Note Trustee</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Note Trustee will be appointed to act as trustee for the holders of the Notes pursuant to a note trust deed to be entered into on or about the Closing Date between the Issuer and the Note Trustee (the " <b>Note Trust Deed</b> "). See the section entitled " <i>Description of the Note Trust Deed and the Notes</i> " on page 233 for more detail.
<b>Issuer Security Trustee</b>	U.S. Bank Trustees Limited (the " <b>Issuer Security Trustee</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Issuer Security Trustee will be appointed to act as security trustee for itself and the other Issuer Secured Creditors pursuant to a deed of charge and assignment to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee and the Note Trustee (the " <b>Deed of Charge and Assignment</b> "). See the section entitled " <i>Security for the Issuer's Obligations</i> " on page 227 for more detail.

<b>Principal Paying Agent and Bank</b>	Elavon Financial Services Limited, UK Branch (the " <b>Principal Paying Agent</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	Each of the Principal Paying Agent and the Agent Bank will be appointed pursuant to an agency agreement to be entered into on or about the Closing Date between, <i>inter alios</i> , the Issuer, the Issuer Security Trustee, the Paying Agents, the Agent Bank and the Registrar (the " <b>Agency Agreement</b> "). See the section entitled " <i>Terms and Conditions of the Notes</i> " on page 241 for more detail.
<b>Registrar</b>	Elavon Financial Services Limited (the " <b>Registrar</b> ")	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	The Registrar will be appointed pursuant to the Agency Agreement. See the section entitled " <i>Terms and Conditions of the Notes</i> " on page 241 for more detail.
<b>Issuer Corporate Services Provider</b>	Structured Finance Management (Luxembourg) S.A. (the " <b>Issuer Corporate Services Provider</b> ")	9B, Boulevard Prince Henri, L-1724 Luxembourg	The Issuer Corporate Services Provider has been appointed to act as corporate services provider to the Issuer pursuant to a corporate services agreement entered into on or about the Closing Date between the Issuer, the Issuer's sole shareholder and the Issuer Corporate Services Provider (the " <b>Corporate Services Agreement</b> "). See the section entitled " <i>The Issuer</i> " on page 86 for more detail.
<b>Borrowers</b>	GL Europe Sheffield 1 S.à.r.l., GL Europe Nottingham 12 S.à.r.l., GL Europe Trinity Square S.à.r.l. and GL Europe Summit S.à.r.l. (the " <b>Borrowers</b> ")	25a boulevard Royale L02449 Luxembourg	N/A. See the section entitled " <i>The Borrowers</i> " on page 89 for more detail.

<b>Management Companies</b>	GL Europe South Yorkshire UK Limited, GL Europe Nottingham UK Limited, GL Europe Trinity Square UK Limited and GL Europe Summit UK Limited (the " <b>Management Companies</b> ")	20-22 Bedford Row London WC1R 4JS	N/A. See the section entitled " <i>Management Companies' Business</i> " on page 93 for more detail.
<b>Borrower Facility Agent</b>	Elavon Financial Services Limited, UK Branch (the " <b>Borrower Facility Agent</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Borrower Facility Agent has been appointed to act as facility agent to the lenders (including the Issuer) to the Borrower pursuant to the Borrower Facility Agreement. See the section entitled " <i>The Loan and the Loan Security</i> " on page 138 for more detail.
<b>Borrower Security Trustee</b>	U.S. Bank Trustees Limited (the " <b>Borrower Security Trustee</b> ")	Floor 5, 125 Old Broad Street, London EC2N 1AR	The Borrower Security Trustee has been appointed to act as security trustee to the lenders (including the Issuer) to the Borrower pursuant to the Borrower Facility Agreement. See the section entitled " <i>The Loan and the Loan Security</i> " on page 138 for more detail.
<b>Listing Agent</b>	Bonn Steichen & Partners	2, rue Peternelchen Immeuble C2 L-2370 Howald Luxembourg	N/A
<b>Competent Authority</b>	CSSF	N/A	N/A
<b>Stock Exchange</b>	Luxembourg Stock Exchange	N/A	N/A
<b>Clearing Systems</b>	Euroclear Bank S.A./N.V. and Clearstream, Luxembourg	Euroclear Bank S.A./N.V. 1 Boulevard du Roi Albert II B-1210 Brussels Belgium Clearstream Banking, société anonyme, 42 Avenue JF Kennedy	N/A

		L-1885 Luxembourg	
<b>Rating Agency</b>	Standard & Poor's Credit Market Services Europe Limited	N/A	N/A

## OVERVIEW OF THE LOAN

See the section entitled "The Loan and the Loan Security" on page 138 for more detail in respect of the Loan and the terms of the Loan.

### Origination of the Loan

The Loan will be advanced to the Borrowers by the Issuer on the Closing Date pursuant to the terms of the Borrower Facility Agreement.

The following is a summary of certain features of the Loan. See the section entitled "The Loan and the Loan Security" on page 138 for more detail.

<b>Loan Information</b>	Borrowers	GL Europe Sheffield 1 S.à.r.l., GL Europe Nottingham 12 S.à.r.l., GL Europe Trinity Square S.à.r.l. and GL Europe Summit S.à.r.l.
	Borrowers' domicile	Luxembourg
	Loan Purpose	General corporate purposes, repayment and refinancing of acquisition costs and intercompany loans and payment of related transaction costs.
	Closing Date	29 <sup>th</sup> August 2014
	Loan Final Maturity Date	10 <sup>th</sup> August 2019 (the " <b>Original Termination Date</b> ") or, if extended in accordance with the relevant conditions, two calendar years after the Original Termination Date (the " <b>Extended Termination Date</b> ") (the " <b>Loan Final Maturity Date</b> ").
	Extension Option	The Borrowers may, subject to the satisfaction the Extension Conditions, by giving notice to the Borrower Facility Agent and the Issuer, elect to extend the Original Termination Date to the Extended Termination Date. Upon exercise of such extension, the Interest Margin payable in relation to the Loan will be the Step-Up Margin.
	Loan Payment Dates	2 <sup>nd</sup> February, May, August and November in each year (the first such Loan Payment Date falling in November 2014), provided that if any such day is not a Business Day, the relevant Loan Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).
	Loan Amount	£107,262,000
	Amortisation	No scheduled amortisation.
	Currency	Sterling

Interest Rate Type	Floating Rate, subject to the Cap Rate.
Interest Rate:	The aggregate of: (a) (i) the Margin or (ii) during any period after the Original Termination Date, if the Borrowers have elected to extend the term of the Loan pursuant to the terms of the Borrower Facility Agreement, the Step-Up Margin; and (b) (i) if there is no Interest Rate Cap Transaction in force or effect, LIBOR; or (ii) if the Interest Rate Cap Transaction is in force and effect, the lower of: (A) LIBOR; and (B) the Cap Rate.
Hedging Type:	Interest rate cap.
Hedging Maturity:	August 2019.
Cap Rate:	2.75% for the first 3 years increasing to 3.75% thereafter.
Margin:	1.45%.
Step-up Margin:	2.05%.
Interest Cover Covenant (ICR Covenant)	The Borrowers must ensure that Interest Cover (defined as the lower of 12 month Historic Interest Cover and 12 month Projected Interest Cover) is, at all times at least 150%.
Loan to Value Covenant (LTV Covenant)	The Borrowers must ensure that the Loan to Value in aggregate does not, at any time, exceed 80%
Loan to Value on the Closing Date	60%.
Repayment and Prepayment	Mandatory redemption in full on the Loan Final Maturity Date, provided that the Borrowers will have an option to extend the Loan Final Maturity Date to 10 <sup>th</sup> August 2021.  Mandatory redemption in full on any Loan Payment Date upon disposal of the Properties in full.  Mandatory redemption in full on any change to the involvement, responsibilities or ownership of GL Europe Holdings II S.a .r.l. or GL Europe Luxembourg S.a r.l. or the Borrowers (including intra-group transfers) where a Default or Loan Event of Default has occurred and is continuing or where there is an outstanding breach of the Cash Trap Triggers.  Mandatory redemption in full upon it becoming illegal for the Issuer to maintain

	the Loan.
Prepayment penalty	Payment of Prepayment Fee on certain early repayment (see " <i>The Loan and the Loan Security</i> " for further details).
Disposal	The Borrowers may dispose of the Properties under certain conditions. (see " <i>The Loan and the Loan Security</i> " for further details).
Disposal Release Premium	Property disposals are permitted subject to the prepayment of 110% of the Allocated Loan Amount.
Cash Trap	Upon the occurrence of a Cash Trap Trigger, amounts shall only be released from the Rent Account under certain condition as described in the section " <i>The Loan and the Loan Security</i> ".
Reserve	The Borrowers are obliged to fund an amount equal to the Interest Reserve Amount which will be deposited in the Issuer Interest Reserve Account.
Loan Security	The Loan will be secured by: (i) a debenture granting fixed and floating security over the assets and undertakings of the Obligors, including a first ranking registered mortgage over the Properties; (ii) a first ranking pledge of the shares or other interests in the Obligors; (iii) security by way of assignment of all rental income and all other rights under the Occupational Leases, Student Leases, insurance proceeds from loss of rent claims and any other income received in respect of the Properties; (iv) a first ranking pledge over the Obligors' bank accounts; and (v) assignment of any benefits under any performance guarantees and contracted collateral warranties related to the Properties.
Financing of New Property	Additional obligors will be permitted to accede to the Borrower Facility Agreement and to incur in relation to the acquisition or refinancing of a new property or properties (the " <b>New Property</b> ") in respect of which the lender is the Issuer and the New Property secures, on terms reasonably satisfactory to the Borrower Security Trustee (acting on the instructions of the Majority Lenders), obligations in respect of the additional financial indebtedness and in relation to which certain conditions are satisfied (for more information see the section entitled " <i>Property Portfolio</i> ").

		<i>Information</i> ’).
<b>Property Information</b>	Governing Law	English law
	Properties	The Property Portfolio consists of four Properties located in England.  Two of the Properties are freehold, one of the Properties is leasehold and one of the Properties is held in part by freehold and in part by way of long leasehold interest.
	Intra-Obligor Leases	Each of the Properties is subject to a seven year less one day lease granted to a Management Company on the day the relevant Property was acquired.
	Nature of properties	Purpose built student accommodation.
<b>Initial Valuation of Properties</b>	A Red Book valuation of the Properties dated 13 <sup>th</sup> June 2014 has been prepared by Knight Frank (the “ <b>Initial Valuation</b> ”). A short form of this report is contained in Appendix 1.  Based on the assumptions set out in “ <i>Appendix 1 – Short-form Valuation Report</i> ” on page 284, the market value of the Properties as set out in the Initial Valuation is £173,770,000.  The Initial Valuation will not be updated, and no further valuations in respect of the Properties will be undertaken, prior to the issuance of the Notes.	
<b>Valuation Agent</b>	Knight Frank, a company incorporated in England and Wales with limited liability under registered number OC305934 with its registered office at 55 Baker Street, London W1U 8AN. Knight Frank is part of a global firm offering commercial real estate services. Valuations are undertaken by it across all real estate sectors and, in the United Kingdom, are carried out by registered valuers regulated by the Royal Institution of Chartered Surveyors.  Knight Frank has given and has not withdrawn its written consent to the inclusion of the Short-form Valuation Report in this Prospectus in the form and context in which it appears.	
<b>Subordination Deed</b>	The Borrowers and GL Europe RE1 Bondco Holdings S.à r.L (the “ <b>Subordinated Creditor</b> ”) will agree with the Borrower Security Trustee to subordinate the aggregate of all monies and liabilities of whatever nature (whether actual or contingent, as principal or surety) which are now or may at any future time be outstanding or otherwise due from the Borrowers to the Subordinated Creditor on any account or in any manner (the “ <b>Subordinated Debt</b> ”) to the secured liabilities under the Borrower Facility Agreement and, all monies and liabilities of whatever nature which may be outstanding or otherwise due from the Borrowers to the secured parties under the Borrower Facility Agreement	

## OVERVIEW OF KEY TERMS OF THE SERVICING ARRANGEMENTS

*See the section entitled “The Servicing Arrangements” on page 201 for more detail in respect of the terms of the Servicing Agreement.*



**Servicing and Special Servicing of the Loan**

The Servicer will be appointed by the Issuer to service the Loan and the Loan Security on a day-to-day basis as well as to provide certain services to the Issuer in relation to the Transaction Documents.

In certain circumstances relating to the default by, or the occurrence of insolvency-related events in relation to, the Borrowers, the servicing of the Loan will be transferred to the Special Servicer. Accordingly, following the occurrence of any of such circumstances, the Special Servicer will become responsible for formulating and then implementing a strategy to maximise recoveries for Noteholders.

**Servicing Standard**

Each of the Servicer and the Special Servicer will be required to perform its duties in accordance with the Servicing Standard.

The "**Servicing Standard**" means all of the following requirements:

- (a) all applicable laws and regulations;
- (b) the terms of the Finance Documents;
- (c) the terms of the Servicing Agreement; and
- (d) the same manner and with the same skill, care and diligence it applies to servicing similar loans for other third parties,

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage servicers servicing commercial mortgage loans which are similar to the Loan with a view to the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Loan and the Loan Security and the maximisation of recoveries in respect of the Loan on a present value basis (the discount rate applicable to the present value basis being the GBP swap rate closest to the expected timing of the relevant recovery or amortisation profile by reference to the Bloomberg Screen BTMM UK Page under the heading "LIBOR" (or if a required swap rate, does not appear on such screen, such required swap rate will be determined by the Servicer or, as applicable, the Special Servicer in a commercially reasonable manner)) by the Issuer for the purposes of enabling the Issuer to satisfy to the fullest extent the Issuer's payment obligations to Noteholders (as a collective whole) in respect of the Notes on or before the Final Maturity Date taking into account the obligations of the Issuer ranking ahead of Noteholders.

In the event that there is a conflict between any of the requirements set forth in items (a) to (d), the Servicer or, as applicable, the Special Servicer, shall apply such requirements in the order of priority in which they appear.

**Noteholder rights**

The Noteholders will be entitled, by Ordinary Resolution, to enforce the rights of the Noteholders against the Servicer and/or the Special Servicer in the event that the Noteholders suffer a loss on their Notes as a result of a breach by the Servicer or, as applicable, the Special Servicer of their obligations under the Servicing Agreement.

**Special Servicing Transfer Event**

Upon the occurrence of any of the following events in relation to the Loan:

- (a) a payment default on the Loan on the Loan Final Maturity Date (after taking into account any permitted extension to the Loan Final Maturity Date);

- (b) any payment on the Loan being more than 30 days overdue;
- (c) the occurrence of certain insolvency events in relation to any of the Borrowers;
- (d) the Servicer or the Special Servicer receiving notice of the enforcement of or realisation on any security arrangement securing the obligations and liabilities of the Borrowers in relation to the Loan; and
- (e) any other default occurs under the Borrower Facility Agreement which is not cured within the applicable grace period or which, in the opinion of the Servicer (formed in accordance with the Servicing Standard) is not likely to be cured within 30 days of the occurrence of the relevant default (or, if a cure period applies to such default within 30 days of the end of the applicable cure period) and which would, in the opinion of the Servicer (formed in accordance with the Servicing Standard) be likely to have a material adverse effect on the ability of the Issuer to satisfy its payment obligations in respect of the Notes on a timely basis,

(each a "**Special Servicing Transfer Event**") and following notification thereof by the Servicer to the Issuer, the Issuer Security Trustee, the Special Servicer, the Borrowers, the Rating Agency, and the Noteholders, the Loan will become a "**Specially Serviced Loan**".

**Amendments and  
waivers to Finance  
Documents**

The Servicer or, as applicable, the Special Servicer, in each case, on behalf of the Issuer, the Issuer Security Trustee, the Borrower Security Trustee and the Borrower Facility Agent:

- will be responsible for responding to or otherwise considering requests by the Borrowers or any other relevant entity for consents, modifications, waivers or amendments relating to the Finance Documents; and
- will be permitted to initiate any request for consents, modifications, waivers or amendments relating to the Finance Documents if it considers it appropriate to do so.

The Servicer or the Special Servicer, as applicable, will not be permitted to agree to or initiate any such requests unless the following conditions are satisfied:

- no Note Acceleration Notice has been delivered and the Issuer Security Trustee has not taken steps to enforce the Issuer Security;
- the Issuer will not be required to make a further advance of principal and/or defer any interest;
- the Loan Final Maturity Date will not be extended as a result;
- the Loan Security will continue to include a full first ranking legal mortgage, standard security or charge or equivalent over the Properties or other security satisfactory to the Servicer or the Special Servicer has been obtained.

The Note Trustee may at any time in its sole discretion, without the consent or sanction of the Noteholders or any other Issuer Secured Creditors and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its sole opinion the interests of

the Noteholders shall not be materially prejudiced thereby, waive or authorise or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions (if any) as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Note Trust Deed (including the Conditions), the Notes or any of the other Transaction Documents (which, for the avoidance of doubt, shall include payment by the Cash Manager of monies standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Deed of Charge and Assignment) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default in respect of the Notes shall not be treated as such for the purposes of the Note Trust Deed (including the Conditions). Further, the Note Trustee may agree and may direct the Issuer Security Trustee to agree, without the consent or sanction of the Noteholders or any other Issued Secured Creditors (i) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders or (ii) to any modification of the Notes, the Note Trust Deed (including the Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is to correct a manifest error, is to comply with mandatory provisions of law or is of a formal, minor or technical nature.

**Delegation by the  
Servicer and  
Special Servicer**

The Servicer and the Special Servicer will be permitted to delegate their respective servicing functions but will remain responsible for the performance of such delegated functions.

## OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

See the section entitled "Terms and Conditions of the Notes" on page 241 for more detail in respect of the terms of the Notes.

<b>Principal Amount:</b>	£107,262,000
<b>Closing Date:</b>	29 <sup>th</sup> August 2014
<b>Ratings (S&amp;P):</b>	A
<b>Offering:</b>	Reg S only
<b>Issue Price:</b>	100 per cent.
<b>Interest Reference Rate:</b>	Three-month sterling LIBOR
<b>Relevant Margin:</b>	1.45% or during any period after the Original Termination Date, if the Borrowers have elected to extend the term of the Loan pursuant to the Borrower Facility Agreement, 2.05% to the Extended Termination Date.
<b>Note Payment Dates:</b>	10 <sup>th</sup> February, May, August and November in each year
<b>Business Days:</b>	London and Luxembourg
<b>Expected Maturity Date:</b>	10 <sup>th</sup> August 2019
<b>Final Maturity Date:</b>	10 <sup>th</sup> August 2024
<b>Minimum Denomination:</b>	£100,000
<b>Form of the Notes</b>	Registered
<b>ISIN:</b>	XS1096472847
<b>Common Code:</b>	109647284
<b>Listing:</b>	Application has been made for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to trading on its regulated market.
<b>Ranking</b>	The Notes will rank <i>pari passu</i> and without preference or priority among themselves as to payments of interest and principal.
<b>Security</b>	The Notes will be secured and will share the Issuer Security with the other Issuer Secured Liabilities of the Issuer as set out in the Deed of Charge and Assignment described in Condition 3 (Status, Security and Priority) under "Terms and Conditions of the Notes" on page 245. Some of the other Issuer Secured Liabilities will rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Pre-Enforcement Priority of Payments and the Post-

	Enforcement Priority of Payments.
<b>Interest Provisions</b>	Please see the section entitled “- <i>Full Capital Structure of the Notes</i> ” and Condition 5 ( <i>Interest and Additional Payments</i> ) under “ <i>Terms and Conditions of the Notes</i> ” on page 249.
<b>Liquidity Support</b>	On the Closing Date the Borrowers will deposit £3,000,000 in an interest reserve account (the “ <b>Issuer Interest Reserve Account</b> ”) (such amount, the “ <b>Interest Reserve</b> ” or the “ <b>Interest Reserve Amount</b> ”) which amount will be held by the Issuer on bare trust for the Borrowers absolutely. Prior to the acceleration of the Notes, such amount will be applied by the Issuer to behalf of the Borrowers to satisfy any shortfall due to a default of the Borrower in relation to the payment of interest under the Loan. Accordingly the amount standing to the credit of the Issuer Interest Reserve Account effectively provides liquidity support for the Issuer to make payment of interest on the Notes. The Issuer will not have the benefit of any facility from a third party to provide liquidity support for its payment obligations (including the Notes).
<b>Further Issues</b>	From time to time the Issuer may, in accordance with Condition 18 ( <i>Further Issues</i> ), issue further or new notes (the “ <b>Additional Notes</b> ”).
<b>No gross-up</b>	None of the Issuer or any Paying Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes as described in Condition 8 ( <i>Taxation</i> ) under “ <i>Terms and Conditions of the Notes</i> ” on page 260.
<b>Redemption</b>	<p>The Notes are subject to the following optional or mandatory redemption events:</p> <ul style="list-style-type: none"> <li>• mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 6(a) (<i>Final Redemption</i>) under “<i>Terms and Conditions of the Notes</i>” on page 253;</li> <li>• mandatory redemption in part on any Note Payment Date subject to availability of Principal Distribution Amounts as fully set out in Condition 6(b) (<i>Mandatory Redemption from Principal Distribution Amounts</i>) under “<i>Terms and Conditions of the Notes</i>” on page 254;</li> <li>• optional redemption exercisable by the Issuer in whole on any Note Payment Date for tax reasons, as fully set out in Condition 6(c) (<i>Optional Redemption for Tax and other Reasons</i>) under “<i>Terms and Conditions of the Notes</i>” on page 254;</li> <li>• optional redemption exercisable by the Issuer in whole on any Note Payment Date where it has become or will become unlawful for the Issuer to make, lend or allow to remain outstanding the Loan as fully set out in Condition 6(c) (<i>Optional Redemption for Tax and other Reasons</i>) under “<i>Terms and Conditions of the Notes</i>” on page 254;</li> </ul>

	<p>and</p> <ul style="list-style-type: none"> <li>optional redemption exercisable by the Issuer in whole on any Note Payment Date, as fully set out in Condition 6(d) (<i>Optional Redemption in Full</i>) under "<i>Terms and Conditions of the Notes</i>" on page 255.</li> </ul> <p>Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption and any Prepayment Premium where relevant.</p> <p>Upon a Note Acceleration Notice being served, the Notes shall be redeemed by payment of any Principal Amount Outstanding plus any accrued but unpaid interest, but without payment of any Prepayment Premium.</p>
<b>Events of Default</b>	<p>As fully set out in Condition 10 (<i>Note Events of Default</i>) under "<i>Terms and Conditions of the Notes</i>" on page 261, which broadly include (where relevant, subject to the applicable grace period):</p> <ul style="list-style-type: none"> <li>non-payment of interest and/or principal and/or any other amount in respect of the Notes;</li> <li>material misrepresentation by the Issuer under the Transaction Documents;</li> <li>material breach of contractual obligations by the Issuer under the Transaction Documents;</li> <li>illegality; and</li> <li>the occurrence of certain insolvency related events (excluding balance sheet insolvency) in relation to the Issuer.</li> </ul>
<b>Enforcement</b>	<p>If a Note Event of Default has occurred and is continuing, the Note Trustee may, and shall, if so requested (i) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the outstanding Notes; or (ii) by an Extraordinary Resolution of the Noteholders deliver a Note Acceleration Notice and direct the Issuer Security Trustee to institute such proceedings as may be required in order to enforce the Issuer Security, subject in the case of each of the Note Trustee and the Issuer Security Trustee to being indemnified, secured and/or prefunded to its satisfaction.</p>
<b>Note Maturity Report</b>	<p>On or before the date falling twelve months prior to the Final Maturity Date, the Special Servicer will, where:</p> <ul style="list-style-type: none"> <li>the Loan remains outstanding; and</li> <li>where, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Loan are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Final Maturity</li> </ul>

	<p>Date,</p> <p>be required to deliver a report (the "<b>Note Maturity Report</b>") in draft form to, <i>inter alios</i>, the Issuer, the Noteholders, the Issuer Security Trustee and the Note Trustee as to its proposed strategy to enable the maximisation of recoveries in respect of the Loan.</p> <p>Upon receipt of the Note Maturity Report, the Note Trustee will, at the cost of the Issuer, be required to convene a meeting of the Noteholders at which the Noteholders will have the opportunity to discuss the proposals contained in the Note Maturity Report with the Special Servicer.</p> <p>Following such meeting, the Special Servicer will be required promptly to finalise the Note Maturity Report (taking into account the discussions at such meeting in relation thereto) and after delivery of such final Note Maturity Report to, <i>inter alios</i>, the Issuer, the Noteholders, the Issuer Security Trustee and the Note Trustee, the Note Trustee will then be required to convene a meeting of the Noteholders at which the Noteholders will be requested to approve by way of Ordinary Resolution the proposed strategy of the Special Servicer as set forth in the final Note Maturity Report (subject to any adjustments thereto approved by the Noteholders).</p> <p>If the Noteholders do not approve such Note Maturity Report, the Special Servicer shall arrange for a receiver to be appointed in accordance with the terms of the Security Documents to realise the Loan Security.</p> <p>If the Noteholders approve the final Note Maturity Report in the manner aforesaid, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard.</p>
<p><b>Asset Status Report</b></p>	<p>Following the occurrence of a Special Servicer Transfer Event, the Special Servicer will prepare a report with respect to the Loans and the Properties not later than 60 days after the occurrence of such Special Servicer Transfer Event (the "<b>Asset Status Report</b>"). The Asset Status Report shall include:</p> <ul style="list-style-type: none"> <li>• a description of the status of the Loans and the Properties, any strategy with respect to the same and any negotiation with the Borrowers or other Obligor;</li> <li>• a discussion of the general legal and environmental considerations reasonably known to the Special Servicer, consistent with the Servicing Standard, that are applicable to the exercise of remedies under the Loans and to the enforcement of the Loans and the Loan Security;</li> <li>• whether external legal counsel has been retained by the Special Servicer;</li> </ul>

	<ul style="list-style-type: none"> <li>• a consideration of the effect on net present value (with the applicable discount rate to such present value being the GBP swap rate closest to the expected timing of the relevant recovery) of the various courses of action with respect to the Loans including, without limitation, work-out of the Loans and/or the Loan Security;</li> <li>• the most current rent schedule and income or operating statement available for the Properties;</li> <li>• a summary of the Special Servicer’s recommended actions and strategies with respect to the Loans which, subject to the terms of the Borrower Facility Agreement, shall be the course of action that the Special Servicer has determined would maximise recovery on the Loans on a net present value basis (with the applicable discount rate applicable to the present value basis being the GBP swap rate closest to the expected period of the relevant recovery);</li> <li>• the latest Valuations of the Properties, together with the assumptions used in the calculation thereof; and</li> <li>• such other information as the Special Servicer deems relevant in light of the Servicing Standard.</li> </ul>
<p><b>Limited Recourse</b></p>	<p>The Notes will be limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 12 (<i>Limited Recourse and Non Petition</i>) under “<i>Terms and Conditions of the Notes</i>” on page 264.</p>
<p><b>Non petition</b></p>	<p>The Noteholders will not be entitled to take any steps (otherwise than in accordance with the Note Trust Deed, the Conditions and the other Transaction Documents):</p> <ul style="list-style-type: none"> <li>• to enforce the Issuer Security other than when expressly permitted to do so under Condition 11 (<i>Enforcement</i>) under “<i>Terms and Conditions of the Notes</i>” on page 263;</li> <li>• to take or join in any steps against the Issuer to obtain payment of any amount due from the Issuer to it;</li> <li>• to initiate or join in initiating any insolvency proceedings in relation to the Issuer; or</li> <li>• to take any steps which would result in any of the Priorities of Payments not being observed.</li> </ul>
<p><b>Governing Law</b></p>	<p>The Note Trust Deed, the Notes, the Deed of Charge and Assignment, the Agency Agreement, the Servicing Agreement, the Cash Management Agreement, the Tax Deed of Covenant, the Cap Agreement, the Subscription Agreement and the Master Definitions Schedule (together with the Luxembourg Documents (as defined below), the “<b>Transaction Documents</b>”) will be</p>



	<p>governed by English law.</p> <p>The Corporate Services Agreement, the Account Pledge Agreement and the Share Pledge Agreement (together the "<b>Luxembourg Documents</b>") will be governed by Luxembourg law.</p>
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## OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER ISSUER SECURED CREDITORS

Please refer to the section entitled "Terms and Conditions of the Notes" on page 241 for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Issuer Secured Creditors.

### **Convening a Meeting**

Noteholders holding no less than 10% of the Principal Amount Outstanding of the Notes then outstanding will be entitled to require the Issuer convene a Noteholders' meeting.

The Issuer, the Servicer, the Special Servicer or the Note Trustee may also convene a Noteholders' meeting to consider any matter affecting the interests of Noteholders.

### **Following a Note Event of Default**

All Notes will become immediately due and payable and the Issuer Security will become enforceable upon the service on the Issuer by the Note Trustee of a Note Acceleration Notice. The Note Trustee will be entitled to serve a Note Acceleration Notice after the occurrence of a Note Event of Default which is continuing and it will be required to do so (i) on the written instructions of the holders of at least 25 per cent. of the Principal Amount Outstanding of the outstanding Notes, or (ii) if directed to do by an Extraordinary Resolution of the Noteholders, in each case subject to being indemnified, secured and/or prefunded to its satisfaction against all liabilities to which it may thereby become liable or which it may incur by doing so.

### **Noteholder Meeting provisions**

#### ***Notice Periods***

Initial meeting: at least 21 clear days

Adjourned meeting: at least 10 clear days

#### ***Quorum – Extraordinary Resolution***

Initial meeting: one or more persons present holding or representing in the aggregate at least 50% of the Principal Amount Outstanding of the outstanding Notes.

Adjourned meeting: one or more persons present holding or representing Notes whatever the Principal Amount Outstanding of the outstanding Notes.

#### ***Quorum – Extraordinary Resolution in relation to a Basic Term Modification***

Initial meeting: one or more persons present holding or representing in the aggregate 75% of the Principal Amount Outstanding of the outstanding Notes.

Adjourned meeting: one or more persons present holding or representing in the aggregate  $33\frac{1}{3}\%$  of the Principal Amount Outstanding of the outstanding Notes.

#### ***Quorum – Ordinary Resolution***

Initial meeting: one or more persons present holding or representing in the aggregate at least 50% of the Principal Amount Outstanding of the outstanding Notes.

Adjourned meeting: one or more persons present holding or representing Notes whatever the Principal Amount Outstanding of the outstanding Notes.

***Quorum – Ordinary Resolution to approve a Note Maturity Report***

Initial meeting: one or more persons present holding or representing in the aggregate at least 50% of the Principal Amount Outstanding of the outstanding Notes.

Adjourned meeting: A meeting called to approve a Note Maturity Report will not be adjourned.

***Voting: Required Majority***

**Extraordinary Resolution:** 75 per cent. of the votes cast by the persons voting at the relevant meeting or the votes cast on a poll.

**Written Extraordinary Resolution:** 90 per cent. of the Principal Amount Outstanding of the outstanding Notes. A Written Extraordinary Resolution will have the same effect as an Extraordinary Resolution.

**Ordinary Resolution:** more than 50 per cent. of the votes cast by the persons voting at the relevant meeting or the votes cast on a poll.

**Written Ordinary Resolution:** more than half of the Principal Amount Outstanding of the outstanding Notes. A Written Ordinary Resolution will have the same effect as an Ordinary Resolution.

**Matters requiring Extraordinary Resolution**

Broadly, the following matters will require an Extraordinary Resolution:

- to sanction a Basic Terms Modification;
- to sanction any compromise or arrangement proposed to be made between the Issuer, the Note Trustee, any appointee of the Note Trustee and the Noteholders or any of them;
- to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Note Trustee, any appointee of the Note Trustee, the Noteholders or the Issuer against any other or others of them or against any other party to any of the Transaction Documents or against any of their property whether such rights shall arise under the Note Trust Deed, any other Transaction Document or otherwise;
- to assent to any modification of the provisions of the Note Trust Deed (including the Conditions) or any other Transaction Document which shall be proposed by the Issuer, the Note Trustee, or any Noteholder or any other person;
- to give any authority or sanction which under the provisions of the Note Trust Deed (including the Conditions) is required to be given by Extraordinary Resolution;
- to approve any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or any discretion which the Noteholders could themselves exercise by Extraordinary Resolution;

- to approve a person to be appointed a trustee and power to remove any trustee or trustees for the time being of the Note Trust Deed or of the Deed of Charge and Assignment;
- to discharge or exonerate the Note Trustee from all liability in respect of any act or omission for which the Note Trustee may have become responsible under the Note Trust Deed or under the Notes;
- to instruct the Note Trustee to serve a Note Acceleration Notice following the occurrence of a Note Event of Default;
- to instruct the Note Trustee and/or any appointee of the Note Trustee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- to sanction any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or notes of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or notes as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Noteholders to execute an instrument of transfer of the Definitive Notes held by them in favour of the persons with or to whom the Notes are to be exchanged or sold respectively; and
- to waive any breach or authorise any proposed breach by the Issuer or any other party thereto of the Note Trust Deed, the Notes or any of the other Transaction Documents or any condition, event or act which constitutes a Note Event of Default or Potential Event of Default in respect of the Notes.

An Extraordinary Resolution and Ordinary Resolution made under the Note Trust Deed of the Notes then outstanding shall be binding on all Noteholders, whether or not present at the meeting.

**Disenfranchisement of Notes held by the Obligors or their Affiliates**

For the purposes of determining: (i) the quorum at any meeting of Noteholders considering an Extraordinary Resolution or an Ordinary Resolution or the majority of votes cast at such meeting; (ii) the holders of outstanding Notes for the purposes of giving any direction to the Note Trustee (or any other party); or (iii) the majorities required for any Written Extraordinary Resolution or any Written Ordinary Resolution, the voting, objecting or directing rights attaching to any outstanding Note held by (or in relation to which the exercise of the right to vote is directed or otherwise controlled by), (i) the Issuer or any affiliate of the Issuer; or (ii) GL Europe RE1 Bondco Holdings Sarl or any Obligor or their respective affiliates (each such person falling within (i) or (ii) above, a "**Disenfranchised Holder**") shall not be exercisable by such Disenfranchised Holder, and such Notes shall be treated as if they were not outstanding and shall not be counted in or towards any

required quorum or majority.

**Relationship  
between  
Noteholders and  
other Secured  
Creditors**

The Note Trustee will be required to take into account the interests of the Noteholders only in the exercise of its powers, trusts, authorities, and discretions. While any Notes are outstanding, the Issuer Security Trustee will be required to act only at the direction of the Note Trustee.

**Provision of  
Information to the  
Noteholders**

Information in respect of the Loan, the Loan Security and the payment obligations of the Issuer will be provided to the investors (and made public) on a quarterly basis in the Servicer Quarterly Report. See the section entitled "*The Servicing Arrangements – The Servicing Agreement – Reporting*" on page 207 for more details.

**Communication  
with Noteholders**

Any notice to be given by the Issuer, the Servicer, the Special Servicer, the Cash Manager, the Issuer Security Trustee or the Note Trustee to the Noteholders will be required to be given in accordance with Condition 16 (Notice to Noteholders) under "*Terms and Conditions of the Notes*" on page 271.

**Communication  
between  
Noteholders**

As described in more detail in Condition 16 (Notice to Noteholders) under "*Terms and Conditions of the Notes*" on page 271, following receipt of a request for the publication of a notice from a Noteholder (the "**Initiating Noteholder**") which has satisfied the Cash Manager that it is a Noteholder (a "**Verified Noteholder**"), the Cash Manager shall publish such notice on its investor reporting website provided that such notice contains no more than:

- (a) an invitation to other Verified Noteholders to contact the Initiating Noteholder;
- (b) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and
- (c) the date(s) from, on or between which the Initiating Noteholder may be so contacted.

## OVERVIEW OF RELEVANT DATES AND PERIODS

<b>Closing Date</b>	<p>The date for the issuance of the Notes is expected to be 29<sup>th</sup> August 2014 (or such other date as the Issuer and the Arranger may agree).</p> <p>29<sup>th</sup> August 2014 is the date on which the Loan is expected to be advanced by the Issuer to the Borrowers.</p>
<b>Business Day</b>	<p>A day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in London and Luxembourg.</p>
<b>Loan Payment Date</b>	<p>The 2<sup>nd</sup> day of each February, May, August and November of each year, provided that if any such day is not a Business Day, the relevant Loan Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).</p>
<b>Loan Final Maturity Date</b>	<p>Unless previously redeemed in full, the Borrowers must repay the then outstanding amount of the Loan in full together with accrued interest and any other sum due and payable under the Finance Documents on 10<sup>th</sup> August 2019 (the "<b>Original Termination Date</b>") or, if extended in accordance with the relevant conditions under the Borrower Facility Agreement, on the date falling two calendar years after the Original Termination Date, being 10<sup>th</sup> August 2021 (the "<b>Extended Termination Date</b>") (the relevant date being "<b>Loan Final Maturity Date</b>").</p>
<b>Loan Interest Period</b>	<p>Each successive period commencing on (and including) an Interest Period Start Date (or, in respect of the first Loan Interest Period, the Closing Date) and ending on (but excluding) the next following Interest Period Start Date provided that for so long as any Notes are outstanding, if the actual number of days in a Loan Interest Period is different to the actual number of days in the Note Interest Period that starts in the same month as the first day of that Loan Interest Period (the "<b>Corresponding Note Interest Period</b>", then for the purpose of calculating the interest accruing on the Loan for that Loan Interest Period, the number of days in that Loan Interest Period will be adjusted so that it is equal to the actual number of days in the Corresponding Note Interest Period (the "<b>Loan Interest Period</b>").</p> <p>"<b>Interest Period Start Date</b>" means the period starting on the 10<sup>th</sup> February, 10<sup>th</sup> May, 10<sup>th</sup> August or 10<sup>th</sup> November of each year.</p>
<b>Note Payment Date</b>	<p>The 10<sup>th</sup> day of each February, May, August and November of each year, provided that if any such day is not a Business Day, the relevant Note Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).</p>
<b>Expected Maturity Date</b>	<p>The Note Payment Date falling in August 2019 which is the Note Payment Date immediately following the Loan Final Maturity Date and, therefore, the date by which it is expected that the Notes will be repaid in full, or if the Loan Final Maturity Date is extended in accordance with the terms of the Borrower Facility Agreement, the Note Payment Date falling in August 2021.</p>

<b>Final Maturity Date</b>	Unless previously redeemed in full, the Issuer will be required to redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Note Payment Date falling in August 2024.
<b>Note Interest Period</b>	Each successive quarterly period commencing on (and including) relevant Note Payment Date of each year (with the first Note Interest Period commencing on the Closing Date) and ending on (but excluding) the next following Note Payment Date.
<b>Collection Period</b>	With respect to a Note Payment Date, the period beginning on but excluding the last day of the immediately preceding Collection Period and ending on the Loan Payment Date immediately preceding such Note Payment Date provided that the first Collection Period shall commence on (but exclude) the Closing Date (the " <b>Collection Period</b> ").
<b>Determination Date</b>	With respect to a Note Payment Date, the Business Day after the last day of the Collection Period ending immediately prior to such Note Payment Date.
<b>Step-Up Date</b>	For any Note Interest Period occurring after 10 <sup>th</sup> August 2019 (the " <b>Step-Up Date</b> "), provided that the Loan Final Maturity Date has been extended in accordance with the terms of the Borrower Facility Agreement, the Relevant Margin will be 2.05 per cent. per annum (the " <b>Step-up Margin</b> ").

## OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

See the section entitled "Cashflows and Payment Priorities" on page 217 for more detail in respect of the credit structure and cash flow of the transaction

**Available Funds of the Issuer** On the Closing Date, pursuant to the terms of the Borrower Facility Agreement, the Borrowers will pay to the Issuer an amount equal to the Issuer Closing Expenses.

**"Issuer Closing Expenses"** means the aggregate of:

- the amount of all costs, fees and expenses (including legal fees) incurred by the Issuer in connection with the issuance of the Notes and due and payable on or around Closing Date; and
- the Cap Expense.

**"Cap Expense"** means the cost to the Issuer of entering into the Cap Agreement in connection with the issuance of the Notes.

On each Loan Payment Date, pursuant to the terms of the Borrower Facility Agreement, the Borrowers will pay to the Issuer an amount equal to the Issuer Periodic Expenses (the **"Quarterly Facility Fee"**).

**"Issuer Periodic Expenses"** means all costs, fees and expenses (including legal fees) incurred by the Issuer during the preceding Loan Interest Period, including (i) any increased costs under the Borrower Facility Agreement, (ii) the quarterly fees and expenses of any third party service providers including, without limitation, rating agency fees (iii) the quarterly fees and expenses of the Issuer Secured Creditors including, without limitation, the Servicer, the Note Trustee, the Cash Manager, the Principal Paying Agent, the Registrar, the Agent Bank, the Issuer Account Bank and the Cap Provider and (iv) the Issuer Profit.

The repayment of principal and the payment of interest by the Borrowers in respect of the Loan will provide the principal source of funds for the Issuer to make payments in respect of the **"Issuer Secured Liabilities"**, being the moneys, obligations and liabilities incurred or otherwise payable by or on behalf of the Issuer under the Notes and the Transaction Documents.

On any Note Payment Date prior to the service of a Note Acceleration Notice, the Issuer expects to have Available Funds for the purposes of making payments under the Notes and the Transaction Documents.

**"Available Funds"** will constitute all amounts standing to the credit of the Issuer Transaction Account at the end of the preceding Collection Period, including Revenue Receipts and Principal Receipts received during the immediately preceding Collection Period together with any amounts received by the Issuer from the Cap Provider under the Cap Agreement on or in respect of the relevant Note Payment Date.

**"Revenue Receipts"** will include:

- all monies (other than Principal Receipts) paid to the Issuer under or in respect of the Loan;
- to the extent not included in the item above, the Quarterly



**Summary of  
Priorities of  
Payments**

Facility Fee;

- any interest accrued on the Issuer Transaction Account and paid to the Issuer in respect of amounts standing to the credit of the Issuer Transaction Account; and
- any amounts applied by the Issuer, on behalf of the Borrower to satisfy any Interest Payment Shortfall from the Issuer Interest Reserve Account,

in each case deposited into the Issuer Transaction Account.

**"Principal Receipts"** will include all payments in respect of principal allocated by the Servicer or the Special Servicer as Principal Receipts in respect of the Loan (including scheduled repayments, voluntary prepayments, any relevant reserve amount, mandatory prepayments and loan enforcement proceeds allocated to principal) received by the Issuer and deposited into the Issuer Transaction Account and the proceeds of any sale, transfer or other disposal of the Loan and the Loan Security allocated by the Servicer or the Special Servicer as Principal Receipts received by the Issuer and deposited into the Issuer Transaction Account.

As described in more detail in the section entitled "*Cashflows and Payment Priorities*" on page 217, prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager (on behalf of the Issuer) will be required, *inter alia*, on each Determination Date to calculate all amounts due in accordance with the Pre-Enforcement Priority of Payments on the forthcoming Note Payment Date and the amounts available to make such payments.

On each Note Payment Date prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager will be required to apply the Principal Distribution Amounts (if any) allocated to the Notes in redemption of those Notes in accordance with the Pre-Enforcement Priority of Payments (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

The **"Principal Distribution Amount"** for any Note Payment Date will be the Principal Receipts received by the Issuer in the Collection Period ending immediately prior to such Note Payment Date.

On each Note Payment Date prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Cash Manager will be required to apply, subject to the Pre-Enforcement Priority of Payments, any Prepayment Fees received by the Issuer in relation to the Loan in the Collection Period ending immediately prior to such Note Payment Date to make payment of the Prepayment Premium due for the Notes.

The **"Prepayment Premium"** for any Note Payment Date will be the amount of any Prepayment Fees received by the Issuer in the Collection Period ending immediately prior such Note Payment Date.

The **"Prepayment Fee"** under the Borrower Facility Agreement will be:

- if the prepayment occurs on or before the first anniversary of the Closing Date, 1.5% of the outstanding balance of the Loans;

- if the prepayment occurs after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date, 1% of the amount prepaid; and
- if the prepayment occurs after the second anniversary of the Closing Date but on or before the third anniversary of the Closing Date, 0.5% of the amount prepaid.

Following the service of a Note Acceleration Notice or the Notes otherwise becoming due and payable in full, the Issuer Security Trustee will be required to apply all moneys and receipts received by the Issuer and/or the Issuer Security Trustee or a receiver appointed by it (whether of principal or interest or otherwise) in the manner and order of priority set out in the Post-Enforcement Priority of Payments (in each case only if and to the extent that payments provisions of a higher priority have been made in full).

	<i>Pre-Enforcement Priority of Payments:</i>	<i>Post-Enforcement Priority of Payments:</i>
<i>First</i>	Amounts due to the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee and the Borrower Facility Agent	Amounts due to the Note Trustee, the Issuer Security Trustee, any Receiver appointed by the Issuer Security Trustee or the Borrower Security Trustee, the Borrower Security Trustee and the Borrower Facility Agent
<i>Second</i>	Amounts due to the Paying Agents, the Registrar and the Agent Bank	Amounts due to the Paying Agents, the Registrar and the Agent Bank
<i>Third</i>	Amounts due to the Cash Manager and the Issuer Account Bank	Amounts due to the Cash Manager and the Issuer Account Bank
<i>Fourth</i>	Amounts due to the Issuer Corporate Service Provider, the Servicer and the Special Servicer	Amounts due to the Issuer Corporate Service Provider, the Servicer and the Special Servicer
<i>Fifth</i>	Amounts due towards the payment of the S&P surveillance fee in respect of the Notes	Amounts due towards the payment of the S&P surveillance fee in respect of the Notes
<i>Sixth</i>	Payments due to third party creditors of the Issuer	Interest and other amounts due or overdue on, and principal of, the Notes
<i>Seventh</i>	Interest due or overdue on the Notes	Surplus to the Issuer
<i>Eighth</i>	Other amounts (other than principal and interest) due or overdue on the Notes (including Prepayment Premium)	
<i>Ninth</i>	Amounts due in relation to the Principal Distribution Amount	
<i>Tenth</i>	£1,000 to be retained by the Issuer as profit in respect of such Note Payment Date and transferred to the Share Capital	

*Eleventh*

Account

Surplus to be retained in the Issuer Transaction Account

Where the Interest Rate Cap Transaction has been terminated (whether in whole or in part) due to any reason other than the occurrence of an Event of Default or Termination Event (as such terms are defined in the Cap Agreement) in respect of the Cap Provider or the Issuer, as applicable, any early termination amount received by the Issuer from the Cap Provider will not be applied in accordance with the Pre-Enforcement Priority of Payments and, instead, such amount shall be transferred to such account as directed by the Issuer or the Issuer Security Trustee, as applicable.

Where the Interest Rate Cap Transaction has been terminated due to the occurrence of an Event of Default or Termination Event (as such terms are defined in the Cap Agreement) in respect of the Cap Provider, only that part of the early termination amount received by the Issuer from the Cap Provider which has not been, or will not be, used to pay the premium or any additional costs and expenses in respect of a replacement cap will be applied in accordance with the Pre-Enforcement Priority of Payments.

**General Credit Structure**

The credit structure of the transaction includes, broadly speaking, the following elements:

Liquidity:

The Issuer will establish the Issuer Interest Reserve Account, into which the Borrowers will deposit on the Closing Date an amount of £3,000,000. Any amounts standing to the credit of the Issuer Interest Reserve Account will be held on bare trust for the benefit of the Borrowers absolutely. The amount standing to the credit of the Issuer Interest Reserve Account will be available to help meet any shortfall of interest payments by the Borrowers under the Loan. The Issuer will withdraw amounts from the Interest Reserve Account at any time when a payment default of the Borrower in relation of interest payments under the Loan has occurred and apply such amounts on behalf of the Borrowers to satisfy such interest payments due by the Borrower under the Loan.

The amount standing to the credit of the Issuer Interest Reserve Account effectively provides liquidity support for the Issuer to make payment on the Notes. See the section entitled "*Cash Management for the Issuer – Issuer Account Bank*" on page 221 for more detail.

## TRIGGERS TABLES

### Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following
<b>Issuer Account Bank:</b>	In relation to the Issuer Transaction Account and the Issuer Interest Reserve Account, where the long-term issuer credit rating by S&P of the Issuer Account Bank is at least "BBB+" and where the short-term issuer credit rating by S&P of the Issuer Account Bank is at least "A-2".	<p>If the Issuer Account Bank ceases to be an Authorised Entity, the Issuer Account Bank will be (within 60 days of the occurrence of such event or within 90 days of the occurrence of such event (provided that within 60 calendar days of the occurrence of such event, S&amp;P, the Servicer, the Special Servicer and the Issuer Security Trustee receive written plans from the Issuer Account Bank describing the steps it will take to remedy the downgrade within the extended remedy period and S&amp;P notifies the Issuer Account Bank that it will not take any action to downgrade the Notes for the duration of the extended period)):</p> <ul style="list-style-type: none"><li data-bbox="999 1294 1361 1451">(a) to procure the transfer of the Issuer Accounts to a successor Issuer Account Bank which is an Authorised Entity;</li><li data-bbox="999 1485 1361 1709">(b) to obtain a guarantee of its obligations under the Cash Management Agreement from a financial institution with the required rating; or</li><li data-bbox="999 1742 1361 2024">(c) to take such other action as may be agreed with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) and the Issuer Security Trustee</li></ul>

as is consistent with maintaining the initial rating of the Notes (or, if the current rating of the Notes is lower than their initial rating, is consistent with enabling such initial rating of the Notes to be restored),

and, in the case of item (a) above, the successor Issuer Account Bank entering into substantially similar arrangements to those contained in the Cash Management Agreement and acceding to the terms of the Deed of Charge and Assignment.

The consequences of the relevant required rating being breached are set out in more detail in the section entitled "*Cash Management for the Issuer – Rating criteria of the Issuer Account Bank*" on page 225.

**Obligor Accounts:**

In relation to the Obligor Accounts, the Obligor Accounts are required to be held at a bank with a minimum short term credit rating from S&P of A-2 and a minimum long term credit rating of BBB+ from S&P and approved by the Borrower Facility Agent.

If the Account Bank ceases to be an Authorised Entity, the Borrower Facility Agent will, within 30 calendar days of the occurrence of such event (or within 60 calendar days of the occurrence of such event provided that within 30 calendar days of the occurrence of such event, S&P, the Servicer, the Special Servicer and the Issuer Security Trustee receive written plans from the Borrowers' Agent describing the steps it has taken, and will take, to remedy the downgrade within the extended remedy period and S&P has notified the Issuer Account Bank that it will not take any action to downgrade the Notes for the duration of the extended remedy period), with the consent of the Issuer:

- (a) procure the transfer of the Obligor Accounts to a successor Account

Bank, provided that such successor Account Bank is an Authorised Entity;

- (b) obtain a guarantee of its obligations under this Agreement from a financial institution which is an Authorised Entity; or
- (c) take such other action as may be agreed with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) and the Issuer Security Trustee to maintain the then current ratings of the Notes.

The consequences of the relevant required rating being breached are set out in more detail in the section entitled "*The Loan and the Loan Security – Borrower Facility Agreement*" on page 140.

**Cap Provider:**

In relation to the Interest Rate Cap Transaction, the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider being rated at least "A+" or its equivalent by S&P.

If the Cap Provider ceases to have the required ratings, the Cap Provider will be required, at its own cost and within 30 calendar days, to use commercially reasonable efforts to transfer all of its rights and obligations under the Cap Agreement to a transferee satisfying the required ratings. The Cap Provider's failure to effect such transfer will result in the Issuer having the right to terminate the Cap Agreement and to determine any early termination amount payable to it by the Cap Provider as a result of such termination. Any such early termination amount may be used by the Issuer to pay the premium and other associated costs of a replacement cap provider.

## NON-RATING TRIGGERS TABLE

Nature of Trigger	Description of Trigger	Consequence of Trigger
Servicer Termination Events	<p>The occurrence of any of the following:</p> <ul style="list-style-type: none"> <li data-bbox="619 434 976 600">• certain insolvency related events in relation to the Servicer or, as applicable, the Special Servicer;</li> <li data-bbox="619 613 976 1384">• non-performance of the obligations of the Servicer or, as applicable, the Special Servicer (subject to a 30 day grace period) (other than a failure to pay or, in the case of the Servicer, the failure to publish or deliver a report in accordance with the terms of the Servicing Agreement) or such longer time (but no longer than 90 days) as may reasonably be necessary to cure the relevant breach, provided that the Servicer or the Special Servicer is proceeding with all due diligence required to cure such breach;</li> <li data-bbox="619 1397 976 1630">• representations or warranties made by the Servicer or, as applicable, the Special Servicer being incorrect or misleading (subject to a 30 day grace period);</li> <li data-bbox="619 1644 976 1877">• default in the payment of any amount due by the Servicer or, as applicable, the Special Servicer (subject to a five business day grace period);</li> <li data-bbox="619 1890 976 2042">• failure by the Servicer or, as applicable, the Special Servicer to procure the transfer of sums required to be</li> </ul>	The appointment of Servicer or the Special Servicer, as applicable, may be terminated.



transferred from Borrower Accounts to the Issuer Transaction Account; or

- failure by the Servicer to publish a Servicer Quarterly Report or any other report or any other report it is required to publish within 10 Business Days of the date such report was due to be published

Termination of the Special Servicer without cause

Written notice from the Noteholders requesting the termination of the Special Servicer.

Termination of appointment of Special Servicer.

Cash Manager Termination Events

The occurrence of any of the following:

The appointment of Cash Manager may be terminated.

- certain insolvency related events in relation to the Cash Manager;
- non-performance of the material obligations of the Cash Manager (subject to a 20 Business Day grace period);
- any material representations or warranties made by the Cash Manager being incorrect or misleading (subject to a 20 Business Day grace period);
- failure by the Cash Manager to make when due a payment required to be made by it on behalf of the Issuer (subject to a 3 Business Day grace period (other than in the case of payments which are to be made on a Note Payment Date)); or
- the Cash Manager fails to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and

any registrations with, governmental and other regulatory authorities required by it.

Issuer Account Termination Events	Bank The occurrence of any of the following: <ul style="list-style-type: none"><li>• certain insolvency related events in relation to the Issuer Account Bank;</li><li>• non-performance of the material obligations of the Issuer Account Bank (subject to a 20 Business Day grace period);</li><li>• any material representations or warranties made by the Issuer Account Bank being incorrect or misleading (subject to a 20 Business Day grace period);</li><li>• failure by the Issuer Account Bank to make when due a payment required to be made by it on behalf of the Issuer (subject to a 3 Business Day grace period (other than in the case of payments which are to be made on a Note Payment Date));</li><li>• the Issuer Account Bank fails to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and any registrations with, governmental and other regulatory authorities required by it.</li></ul>	The appointment of the Issuer Account Bank may be terminated.
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## FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

### Ongoing Fees

Type of Fee	Amount of Fee	Priority Cashflow	in	Frequency
Servicing Fees	0.025% per annum of the Principal Amount Outstanding of the Notes (plus any applicable value added tax)	Ahead of all outstanding Notes	all	Each Note Payment Date
Special Servicing Fees	0.075% per annum of the Principal Amount Outstanding of the Notes (plus any applicable value added tax)	Ahead of all outstanding Notes (only payable following the occurrence of a Special Servicing Transfer Event)	all	Each Note Payment Date (only payable following the occurrence of a Special Servicing Transfer Event)
Fees of the Issuer Corporate Services Provider	Estimated at €18,900 per annum (plus any applicable value added tax)	Ahead of all outstanding Notes	all	Each Note Payment Date
Other fees and expenses of the Issuer (including S&P surveillance fee)	Estimated at £51,000 per annum (plus any applicable value added tax)	Ahead of all outstanding Notes	all	Each Note Payment Date
Listing expenses	Fees and expenses relating to the application for admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange (including ten years of annual maintenance fees) are expected to be €7,000 payable on the Closing Date.			On the Closing Date and on the date of any Further Issue

### Additional Fees

Type of Fee	Amount of Fee	Priority Cashflow	in	Frequency
Liquidation Fee (Special Servicer)	0.25% of the Liquidation Proceeds (plus any applicable	Ahead of all outstanding Notes	all	Following the enforcement of the Loan Security

value added tax)

Workout Fee (Special Servicer)	0.25% per cent. of each collection of interest and principal for so long as the Loan remains a Corrected Loan (plus any applicable value added tax)	Ahead of all outstanding Notes	Where the Loan is a Specially Serviced Loan and subsequently becomes a Corrected Loan
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## THE ISSUER

### General

AYR ISSUER S.A. (the "**Issuer**") is a special purpose company set up as a securitisation company within the meaning of the Luxembourg law of 22 March 2004 on securitisation, as amended (the "**Securitisation Law**") and was incorporated as a *société anonyme* (public limited liability company) on 29 July 2014. The Issuer and its activities are subject to the Securitisation Law.

The articles of incorporation of the Issuer (the "**Articles**") have been filed with the Luxembourg trade and companies register where they are available for inspection.

The registered office of the Issuer is at 9B, Boulevard Prince Henri, L-1724 Luxembourg, Grand-Duchy of Luxembourg, phone: +352 20 20 4100. The authorised and issued share capital of the Issuer is £30,000 divided into 30,000 shares with a denomination of £1 each (the "**Shares**").

<b>Founding Shareholder</b>	<b>No. of Shares owned</b>
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Stichting AYR Issuer	30,000
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### Business

In accordance with Article 3 of the Articles, the exclusive purpose of the Issuer is to enter into one or more securitisation transactions within the meaning of the Securitisation Law and the Issuer may, in this context, assume risks, existing or future, relating to the holding of assets, whether movable or immovable, tangible or intangible, as well as risks resulting from the obligations assumed by third parties or relating to all or part of the activities of third parties, in one or more transactions or on a continuous basis. The Issuer may assume those risks by acquiring the assets, guaranteeing the obligations or by committing itself in any other way. It may also, to the extent permitted by law and the Articles, transfer or dispose of the claims and other assets it holds, whether existing or future, in one or more transactions or on a continuous basis. The Issuer will not be able to issue securities to the public on a continuous basis.

The Issuer may, in this same context, acquire, dispose and invest in loans, stocks, bonds, debentures, obligations, notes, advances, shares, warrants and other securities. The Issuer may, within the limits of the Securitisation Law, and in favour of its creditors only, grant pledges, other guarantees or security interests of any kind to Luxembourg or foreign entities and enter into securities lending activity on an ancillary basis.

The Issuer may perform all transactions which are necessary or useful to fulfil and develop its purpose, as well as, all operations connected directly or indirectly to facilitating the accomplishment of its purpose in all areas described above. The assets of the Issuer may only be assigned in accordance with the terms of the securities issued to finance the acquisition of such assets.

### Board of Directors

The board of directors of the Issuer (the "**Board of Directors**") is composed of three directors.

The current directors of the Issuer are as follows:

<b>Name</b>	<b>Address</b>	<b>Principal business</b>
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## activities

Hinnerk Koch	9B, Boulevard Prince Henri, Luxembourg	L-1724	professional in the domiciliation business
Martijn Sinninghe Damsté	9B, Boulevard Prince Henri, Luxembourg	L-1724	professional in the domiciliation business
Caroline Kinyua	9B, Boulevard Prince Henri, Luxembourg	L-1724	professional in the domiciliation business

The Issuer confirms that there is no conflict of interest between the duties of a director of the Issuer and the principal and/or other activities outside AYR ISSUER S.A.

## Accounts

The Issuer's fiscal year starts on 1 January and ends on 31 December each year, except for the first fiscal year that started on the date of incorporation of the Issuer and ends on 31 December 2014. The Issuer's first set of audited financial accounts will be prepared as per the 31st of December 2014, and, when available, may be obtained at the registered office of the Issuer during normal business hours on any Business Day as long as any of the Notes remain outstanding.

## Auditors

The Issuer's independent auditors are PricewaterhouseCoopers, a *société coopérative* incorporated and existing under the laws of the Grand-Duchy of Luxembourg, registered with the Luxembourg Trade and Companies register under number B 65 477, having its registered office at 400 route d'Esch L-1014 Luxembourg, a member of the Luxembourg *Institut des Réviseurs d'Entreprises*, who have been appointed by the Board of Directors of the Issuer by a resolution dated 19<sup>th</sup> August 2014.

## Corporate Services Agreement

Under a corporate services agreement entered into by the Issuer, Stichting AYR Issuer and Structured Finance Management (Luxembourg) S.A. on or about the Closing Date (the "**Corporate Services Agreement**"), Structured Finance Management (Luxembourg) S.A. has been appointed as corporate services provider of the Issuer (the "**Issuer Corporate Services Provider**"). Under the terms of the Corporate Services Agreement, the Corporate Services Provider will provide domiciliation and accounting services to the Issuer and be responsible for the day-to-day administrative activities of the Issuer, including secretarial, clerical and related services to the Issuer and maintaining the books and records of the Issuer in accordance with the laws of Luxembourg.

The Corporate Services Agreement contains certain provisions for the indemnification of the Corporate Services Provider. Pursuant to its terms, the Corporate Services Provider is entitled to certain fees in relation to the services to be provided by it under the Corporate Services Agreement. The Corporate Services Agreement is governed by Luxembourg law.

## Commencement of Operations

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Securitisation Law and Companies Law, the

authorisation and issue of the Notes, the execution of the documents and matters referred to or contemplated in this Prospectus and matters which are incidental or ancillary to the foregoing. The Issuer has only carried on activities since 29<sup>th</sup> July 2014, its date of incorporation.

The Issuer has not been subject to any governmental, legal or arbitration proceedings and is not aware of any such proceedings pending or threatened since its date of incorporation.

### **Conflicts of Interest**

There are no potential conflicts of interest between any duties to the Issuer of the members of the board of managers of the Issuer and their respective private interests and/or other duties.

## THE BORROWERS

GL Europe Sheffield 1 S.à r.l. (registered number B179 682) (the "**Sheffield Borrower**"), GL Europe Nottingham 12 S.à r.l. (registered number B179 679) (the "**Nottingham Borrower**"), GL Europe Trinity Square S.à r.l. (registered number B179 631) (the "**Trinity Borrower**") and GL Europe Summit S.à r.l. (registered number B183 512) (the "**Summit Borrower**") (the "**Borrowers**") were incorporated in Luxembourg on 13 August 2013 and 9 December 2013 as *sociétés à responsabilité limitée*. The registered office of each of the Borrowers is at 25a, boulevard Royal, L-2449 Luxembourg and their contact telephone number is +352 26 73 89 84. Each Borrower is organised as a holding company and its activities are limited accordingly. Each Borrower is a subsidiary of GL Europe RE1 Bondco Holdings S.à r.l. The issued share capital of each Borrower is £12,000, divided into 12,000 ordinary shares of £1, each of which has been issued fully paid and is held by GL Europe RE1 Bondco Holdings S.à r.l.

<b>Borrower</b>	<b>Date of incorporation</b>
GL Europe Sheffield 1 S.à r.l.	13 August 2013
GL Europe Nottingham 12 S.à r.l.	13 August 2013
GL Europe Trinity Square S.à r.l.	13 August 2013
GL Europe Summit S.à r.l.	9 December 2013

### **Principal Activities**

The Sheffield Borrower owns the Sheffield Property (namely the part freehold and part long leasehold interest in the Sheffield Property) and leases it to the Sheffield Management Company, the Nottingham Borrower owns the Nottingham Property and leases it to the Nottingham Management Company, the Trinity Borrower owns the long leasehold interests in the Trinity Square Property and leases it to the Trinity Management Company and the Summit Borrower owns the Summit Property and leases it to the Summit Management Company. Each Borrower will borrow funds under the Borrower Facility Agreement. The principal objectives of each Borrower are set out in its articles of incorporation (*status*) and are, *inter alia*:

- (a) (i) the holding of interests, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, (ii) the holding of loans, bonds, debentures, obligations, notes, advances, claims, participations and sub-participations in bank debt and other debt of Luxembourg or foreign companies acting as debtors, borrowers or obligors and other debt instruments and securities, whether unsecured or secured by equipment, personal property, real property, receivables and other collateral, issued or assumed by companies domiciled either in the Grand Duchy of Luxembourg or abroad, and (iii) the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio;
- (b) to further guarantee, grant security, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or right of any kind or which form part of the same group of companies as such Borrower;



- (c) except by way of public offering, to raise funds especially through borrowing in any form or by issuing any kind of notes, securities or debt instruments, bonds and debentures and generally issue securities of any type;
- (d) the acquisition and sale of real estate properties either in the Grand Duchy of Luxembourg or abroad, including the direct or indirect holding of participations in Luxembourg or foreign companies, the principal object of which is the acquisition, development, promotion, sale, management and/or lease of real estate properties; and
- (e) to carry out any commercial, industrial, financial, real estate or intellectual property activities which it considers useful for the accomplishment of these purposes.

Each Borrower has covenanted to observe certain restrictions on its activities which are set out in the Borrower Facility Agreement. Please see the section entitled "*The Loan and the Loan Security*" on page 138.

### **Acquisition of the Properties**

The Borrowers acquired the Properties on the following dates:

Sheffield Property: 4th October 2013

Nottingham Property: Nottingham 1 and 2: 4th October 2013 and Nottingham 3: 19th December 2013

Trinity Square Property: 30th October 2013

Summit Property: 25th April 2014

Each Property was acquired by the relevant Borrower using funds provided to GL Europe RE1 Holdings S.à r.l Those funds were on lent by GL Europe RE1 Holdings S.à r.l via senior and mezzanine intercompany loans to the relevant Borrower. No third party debt was used to acquire the Properties.

The inter-company debt provided by GL Europe RE1 Holdings S.à r.l to each Borrower will be partially refinanced by funds raised from the issuance of the Notes, with all outstanding intercompany debt owed by the Borrowers subordinated to the amounts from time to time owed to by the Borrowers to the Issuer under the Borrower Facility Agreement.

### **Board of Managers**

The managers of the Borrowers and their respective business addresses are:

<b>Name</b>	<b>Business Address</b>
Richard Stabinsky, class A manager	399 Park Avenue, 6th Floor, New York, New York 10022, United States
Thomas Larkin, class A manager	399 Park Avenue, 6th Floor, New York, New York 10022, United States
Henry Saavedra, class B manager	25a, boulevard Royal, L-2449 Luxembourg
Jorrit Cromptvoets, class B manager	Carré Bonn, 20, rue de la Poste, L-2346

	Luxembourg, Grand-Duchy of Luxembourg
Ramon van Heusden, class B manager	Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg, Grand-Duchy of Luxembourg

### **Capitalisation and Indebtedness**

It is estimated that the capitalisation and indebtedness of each Borrower on or about the Closing Date will be as follows:

#### ***Issued Share Capital***

12,000 ordinary shares of £1, each of which has been issued fully paid.

#### **Loan Capital**

Loan	£28,676,064.19
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<b><i>Total Loan Capital</i></b>	<b>£28,676,064.19</b>
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<b><i>Subordinated Intercompany Loans</i></b>	<b>£28,676,064.19</b>
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Save for the foregoing and as provided below, at the date of this Prospectus, none of the Borrowers have any borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. All loan capital is secured over the assets of the relevant Borrower. The loan capital of the Borrowers is not guaranteed.

On the Closing Date, the Borrowers are expected to incur further intercompany indebtedness in the nature of a borrowing, such borrowing to be made from an affiliate of the Borrowers to the Borrowers for the purpose of paying costs and expenses relating to the issuance of the Notes, in particular, the costs and expenses of the Issuer. Such intercompany borrowing will be subject to the terms of the Subordination Deed.

### **Financial Information**

Each financial period of the Borrowers ends on the 31 December each year, with the current financial period of the Borrowers ending on 31 December 2014.

### **Recent Developments**

Since the date of incorporation of each of the Borrowers, there have been no material adverse changes in their respective financial position or prospects and no significant changes in their respective financial or trading positions.

### **Conflicts of Interest**

Each of the Borrowers and GL Europe RE1 Bondco Holdings S.à r.l. has confirmed that it has no conflict or potential conflict of interest in relation to any of the transactions described in this Prospectus. There are no potential conflicts of interest between any duties to the Borrowers of the members of the board of managers of each respective Borrower and their respective private interests and/or other duties.

## THE MANAGEMENT COMPANIES' BUSINESS

GL Europe South Yorkshire UK Limited, GL Europe Nottingham UK Limited, GL Europe Trinity Square UK Limited and GL Europe Summit UK Limited (the "**Management Companies**" and each, a "**Management Company**") were established to manage the student accommodation business with respect to the Properties. In order to do this each Management Company has entered into a lease of the relevant Property with the relevant Borrower.

### Description of the Management Companies

Company	Principal Business Activities
<p>GL Europe South Yorkshire UK Limited (the "<b>Sheffield Management Company</b>") (company number: 08706240) was incorporated in England and Wales on 25<sup>th</sup> September 2013 as a private limited company with limited liability under the Companies Act 2006 whose registered office is at 20-22 Bedford Row, London, WC1R 4JS. The Sheffield Management Company is a wholly owned subsidiary of the Sheffield Borrower.</p>	<p>The principal business of the Sheffield Management Company is to manage the student accommodation business at the Sheffield Property. In order to do this the Sheffield Management Company has entered into a lease of the Sheffield Property with the Sheffield Borrower dated 4<sup>th</sup> October 2013.</p> <p>The Sheffield Management Company has entered into an accommodation management and facilities management agreement with Derwent Facilities Management Limited dated 4<sup>th</sup> October 2013. Under such agreement Derwent Facilities Management Limited carries out the accommodation management and facilities management of the Sheffield Property.</p>

Company	Principal Business Activities
<p>GL Europe Nottingham UK Limited (the "<b>Nottingham Management Company</b>") (company number: 08706238) was incorporated in England and Wales on 25<sup>th</sup> September 2013 as a private limited company with limited liability under the Companies Act 2006 whose registered office is at 20-22 Bedford Row, London, WC1R 4JS. The Nottingham Management Company is a wholly owned subsidiary of the Nottingham Borrower.</p>	<p>The principal business of the Nottingham Management Company is to manage the student accommodation business at the Nottingham Property. In order to do this the Nottingham Management Company has entered into a lease with the Nottingham Borrower in respect of the Nottingham Property dated 4<sup>th</sup> October 2013 and a lease in respect of Phase 3, Opal One, Midland Way, Nottingham dated 19<sup>th</sup> December 2013.</p> <p>The Nottingham Management Company has entered into an accommodation management and facilities management agreement with Derwent Facilities Management Limited dated 4<sup>th</sup> October 2013 in relation to the Nottingham Property. This agreement was amended by amendment agreement dated 19<sup>th</sup> December 2013 pursuant to which Phase 3, Opal One, Nottingham, NG7 3EH was brought within the original contract in respect of Opal 1 &amp; 2. Under such agreement</p>

	Derwent Facilities Management Limited carries out the accommodation management and facilities management of the Nottingham Property.
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<b>Company</b>	<b>Principal Business Activities</b>
GL Europe Trinity Square UK Limited Square UK Limited (the " <b>Trinity Management Company</b> ") (company number: 08706209) was incorporated in England and Wales on 25 <sup>th</sup> September 2013 as a private limited company with limited liability under the Companies Act 2006 whose registered office is at 20-22 Bedford Row, London, WC1R 4JS.	<p>The principal business of the Trinity Management Company is to manage the student accommodation business at the Trinity Property. In order to do this Trinity Management Company has entered into a lease of the Trinity Property with the Trinity Borrower dated 30<sup>th</sup> October 2013.</p> <p>The Trinity Management Company has entered into an accommodation management and facilities management agreement with Derwent Facilities Management Limited dated 30<sup>th</sup> October 2013. Under such agreement Derwent Facilities Management Limited carries out the accommodation management and facilities management of the Trinity Property.</p>

<b>Company</b>	<b>Principal Business Activities</b>
GL Europe Summit UK Limited (the " <b>Summit Management Company</b> ") (company number: 08906667) was incorporated in England and Wales on 21 <sup>st</sup> February 2014 as a private limited company with limited liability under the Companies Act 2006 whose registered office is at 20-22 Bedford Row, London, WC1R 4JS. The Summit Management Company is a wholly owned subsidiary of the Summit Borrower.	<p>The principal business of the Summit Management Company is to manage the student accommodation business at the Summit Property. In order to do this the Summit Management Company has entered into a lease of the Summit Property with the Summit Borrower dated 25<sup>th</sup> April 2014.</p> <p>The Summit Management Company has entered into an accommodation management and facilities management agreement with Derwent Facilities Management Limited dated 25<sup>th</sup> April 2014. Under such agreement Derwent Facilities Management Limited carries out the accommodation management and facilities management of the Summit Property.</p> <p>Additionally, the Summit Management Company has also entered into a management agreement dated 25<sup>th</sup> April 2014 between GL Europe Summit UK Limited and Student Union Lettings Limited pursuant to which Student Union Lettings Limited is responsible for (amongst other things) marketing of the Summit Property to</p>

	prospective tenants.
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**Directors of the Management Companies**

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Jon Ford	25 Knightsbridge, 4th Floor, London, SW1X 7RZ	Director
Padraig Moore	25 Knightsbridge, 4th Floor, London, SW1X 7RZ	Director
Tim Butler	11-12 Pall Mall, London, SW1Y 5LU	Director
Jason Ross	11-12 Pall Mall, London, SW1Y 5LU	Director

## **ASSET MANAGER**

ACSRE is the trading name of the Asset Manager. It was formed in January 2014 to acquire and actively manage student accommodation assets in the UK. ACSRE provides portfolio advice and administrative assistance to the Borrowers and executive management services to the Management Companies.

The business's strategy is to assemble a high quality diversified portfolio of student accommodation assets through investments in modern, well located properties and to pro-actively manage them to enhance the value of the portfolio.

ACSRE belongs to the same group of companies of which the Borrowers form part and currently manages over 4,000 beds across the United Kingdom.

The ACSRE team comprises senior directors and managers with extensive experience in the student accommodation sector and detailed knowledge of the higher education sector in the UK.

### **The ACSRE business model:**

#### **Acquisition Strategy**

ACSRE has a disciplined acquisition strategy focused on purchases of high quality assets. Potential acquisitions are assessed against specific criteria that consider the (a) University city; (b) the individual property and the (c) circumstances of the acquisition.

##### *1. University Cities*

- ACSRE targets cities where there is a pronounced imbalance between the demand from students and the supply of purpose built student accommodation;
- Target cities will have a minimum full-time population of 15,000 students;
- Preferably a minimum of two Higher Education Institutions in the city that attract a large and growing share of international students;
- The city will have institutions ranked in the top 50 in the UK with a particular focus on research-led universities that have a clear long-term investment strategy to improve and expand their academic offering;
- The supply of new student accommodation is likely to be constrained by the strategic development plans of the city.

##### *2. Property*

- Location - ACSRE student accommodation is located close to university campuses and the city amenities;
- Quality - secure, modern en-suite accommodation with a variety of room types and student amenities that is particularly attractive to international students;

- Value for Money - rooms will be let at competitive market rents consistent with the location and quality of the property. In many cases, the positioning of our assets means that we face limited competition;
- Opportunity to grow net income through active revenue management, improved pricing architecture and operational efficiencies.

3. *Circumstances of the acquisition*

- The primary focus is to source off-market acquisitions using the experience and networks of the ACSRE team;
- ACSRE has a proven ability to close complex transactions where the expertise and speed of execution of the ACSRE team provides a significant competitive advantage;
- The combination of a large network and ability to expediently execute complex acquisitions allows ACSRE to invest at attractive yields versus the market.

### **Active Management Strategy**

The asset management strategy combines both active revenue management and investment in the student experience. The Asset Manager has arranged for day-to-day facilities management services to be delivered by a highly reputable and reliable third party facilities management partner.

1. *Revenue management*

- Room pricing is primarily focussed on value for money versus the competing options for students
- Typically the directly comparable competitive set is limited allowing for flexibility in managing the prices of our student rooms across room types, tenancy lengths and through the letting cycle

2. *Marketing*

- Online and traditional media marketing is carefully planned to target specific students
- Marketing is initially targeted at existing tenants to encourage them to rebook for the next year. This reduces new tenant acquisition costs and allows us to manage revenue more effectively as the letting cycle progresses
- Close relationships with universities create opportunities to attract significant numbers of students from a particular institution and establish our accommodation as a preferred choice for students
- The portfolio properties are listed on all major accommodation websites and we actively manage our online marketing budget to ensure we rank highly on these sites and also on major search engines

3. *Relationship with Universities*

- A key priority is establishing strong relationships with the Universities in the cities in which we operate
- ACSRE takes a partnership approach, fulfilling the needs of Universities to accommodate their students whilst further embedding our properties as the first choice of students
- We also work with student unions to better understand student needs

#### 4. *Highly Skilled Staff*

- ACSRE views the staff that manage the portfolio properties as key assets and as significant contributors to the success of the business
- Hall managers are recruited from hospitality or marketing backgrounds. We look for entrepreneurial managers who take ownership of the operational and financial performance of the property
- Hall managers are incentivised to deliver growth in net income through revenue maximisation rather than simply maximising occupancy. They are also incentivised on student feedback
- Staff are supported by Derwent who provide guidance on industry best practice, knowledge sharing across sites, training and central management resource

#### 5. *Student experience*

- ACSRE is committed to offering an independent but secure environment by providing high quality student accommodation within which students can study, make friends and socialise
- Amenities include, inter alia, student lounges, cinema rooms, gymnasiums, communal kitchens, wi-fi (installed this summer), coffee shops etc
- Events and Activities are planned with residents to reflect their requirements and interests and include, inter alia, film and sport evenings, cooking classes and barbecues, educational trips to local places of interests, international themed cultural events
- Security is provided 24 hours a day, 365 days a year by a dedicated on-site team (supported by CCTV) to ensure that our student accommodation is a safe and secure place in which to live, work and study

### **Management Team**

ACSRE has a specialist team of senior directors and managers with extensive experience in relevant fields, which include development, higher education, asset management and finance. The key members of the team are set out below:-

*Tim Butler (Chief Executive Officer)*

Tim is responsible for the strategic direction and leadership for ACSRE and has over 20 years' experience in the student accommodation sector.

He was previously a Main Board Director and a principal shareholder in property consultants GL Hearn, and prior to this Tim was a Main Board Director at The UNITE Group plc. His principal role - sitting on the Executive Board - was to assist in the development of UNITE



from a family run Bristol based private student development and investment company through the 1999 AIM listing to the 2000 full LSE listing as a FTSE company with circa 20,000 beds and the UK's largest provider of student accommodation with a portfolio asset value of approximately £1.5billion.

Tim was also Managing Director of their joint venture with the Peabody Trust - Peabody UNITE plc. He assisted in its establishment and was responsible for this innovative joint venture to develop key worker accommodation in London for its four-year duration. He was fundamentally involved in formulating and delivering a successful strategy prior to UNITE buying out Peabody's interest in 2002. He had overall responsibility for sourcing and delivering new schemes in London as well as being responsible for the relationships with HEIs (Higher Education Institutions) and NHS Trusts.

Tim is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Investment Property Forum and British Property Federation Student Accommodation Committee.

*Jason Ross (Finance Director)*

Jason is responsible for the accounting and risk management of the UK business.

With over thirteen years' experience in finance roles, Jason is a qualified Chartered Management Accountant with considerable experience in the hospitality industry.

He has co-founded two businesses, Bar Room Bar - student focused bars and restaurants bought from the Orchid Pub Group - and Urban and Country Leisure - which he grew from a single site to 14 sites before being approached to be Finance Director for Oakman Inns an SME hospitality business with a turnover in excess of £15m.

Prior to this Jason began his career at the Gillette Group, before moving to the Spirit Group - a large national managed hospitality provider - as senior commercial analyst, managing a portfolio of over 380 hotels, bars and restaurants.

## DESCRIPTION OF THE INTEREST RATE CAP TRANSACTION

The Issuer and the Cap Provider will enter into an interest rate cap transaction (the "**Interest Rate Cap Transaction**") evidenced by a confirmation dated on or about the Closing Date (the "**Interest Rate Cap Confirmation**").

The Interest Rate Cap Confirmation forms part of, and is subject to, a 1992 ISDA Master Agreement (Multicurrency – Cross Border) (including the ISDA Schedule thereto) deemed to have been entered into between the Cap Provider and the Issuer (together with the Interest Rate Cap Confirmation, the "**Cap Agreement**"). The Issuer will assign all its rights under the Cap Agreement to the Issuer Security Trustee.

### ***The Interest Rate Cap Transaction***

Pursuant to the provisions of the Interest Rate Cap Confirmation and on each Interest Payment Date, the Cap Provider is required to pay an amount equal to the excess (if any) of the rate of interest (set by reference to three-month LIBOR) above a specified cap rate (as set out in the appendix to this section "*Description of the Interest Rate Cap Transaction*") (the "**Cap Rate**") multiplied by the notional amount in respect of the relevant calculation period (also as set out in the appendix to this section "*Description of the Interest Rate Cap Transaction*"). The scheduled termination date of the Interest Rate Cap Transaction is 10<sup>th</sup> August 2019.

A condition of the Termination Date of the Loan being extended to the Extended Termination Date is that hedging arrangements are put in place by the Issuer for the relevant extension period for an aggregate notional amount of not less than the outstanding amount of the Loan on the date of the extension and with a Cap Rate which is not more than 3.75 per cent. per annum. Furthermore, a condition of the issue of Additional Notes is that hedging arrangements are put in place by the Issuer for the period from the date of the issue of Additional Notes to the Final Maturity Date of the Additional Notes for the notional amount of the Additional Notes with a Cap Rate which is not more than 3.75 per cent. per annum.

### ***Consequences of a Rating Downgrade of the Cap Provider***

The Cap Provider is required to maintain ratings of at least "A+" or its equivalent by S&P in respect of its long-term unsecured, unsubordinated and unguaranteed debt obligations (the "**Minimum Cap Provider Required Ratings**"). If the Cap Provider is downgraded below the Minimum Cap Provider Required Ratings, then it is obliged to transfer, at its own cost and within 30 calendar days of such downgrade (the "**Cap Downgrade Remedy Period**"), all its rights and obligations under the Cap Agreement to a replacement cap provider, provided that such replacement cap provider satisfies the Minimum Cap Provider Required Ratings and that various transfer requirements specified in the Cap Agreement are met (including confirmation from S&P that the rating of the Notes immediately prior to the transfer will not be adversely affected by such transfer and that the replacement cap provider will not, as a result of such transfer, be required to make any withholding or deduction for or on account of any tax in respect of payments made under the Cap Agreement) (together, the "**Cap Transfer Requirements**"). If the Cap Provider fails to effect such transfer within the Cap Downgrade Remedy Period, then the Issuer (or the Issuer Security Trustee on its behalf) has the right to terminate the Cap Agreement and to determine the early termination amount (if any) payable to it by the Cap Provider as a result of such termination.

### ***Transfer by the Cap Provider***

Provided that the Cap Transfer Requirements are satisfied (including, for the avoidance of doubt, the replacement cap provider satisfying the Minimum Cap Provider Required Ratings) and upon giving prior written notification to the Issuer, the Cap Provider may transfer all its rights and obligations under the Cap Agreement to a transferee cap provider.

## APPENDIX

### INTEREST RATE CAP TRANSACTION

<b>Calculation Period<sup>2</sup></b>			
<b>From and including</b>	<b>To but excluding</b>	<b>Notional Amount (£)</b>	<b>Cap Rate</b>
29 Aug 2014	10 Nov 2014	107,262,000	2.75%
10 Nov 2014	10 Feb 2015	107,262,000	2.75%
10 Feb 2015	10 May 2015	107,262,000	2.75%
10 May 2015	10 Aug 2015	107,262,000	2.75%
10 Aug 2015	10 Nov 2015	107,262,000	2.75%
10 Nov 2015	10 Feb 2016	107,262,000	2.75%
10 Feb 2016	10 May 2016	107,262,000	2.75%
10 May 2016	10 Aug 2016	107,262,000	2.75%
10 Aug 2016	10 Nov 2016	107,262,000	2.75%
10 Nov 2016	10 Feb 2017	107,262,000	2.75%
10 Feb 2017	10 May 2017	107,262,000	2.75%
10 May 2017	10 Aug 2017	107,262,000	2.75%
10 Aug 2017	10 Nov 2017	107,262,000	3.75%
10 Nov 2017	10 Feb 2018	107,262,000	3.75%
10 Feb 2018	10 May 2018	107,262,000	3.75%
10 May 2018	10 Aug 2018	107,262,000	3.75%
10 Aug 2018	10 Nov 2018	107,262,000	3.75%
10 Nov 2018	10 Feb 2019	107,262,000	3.75%
10 Feb 2019	10 May 2019	107,262,000	3.75%
10 May 2019	10 Aug 2019	107,262,000	3.75%

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<sup>2</sup> Each date in the columns above, apart from 29<sup>th</sup> August 2014, is subject to adjustment in accordance with the modified following business day convention.

## **DESCRIPTION OF THE SERVICER AND THE SPECIAL SERVICER**

### **SOLUTUS ADVISORS LIMITED**

Solutus Advisers Limited is a limited liability company incorporated under the laws of England and Wales with its offices at 4-6 Throgmorton Avenue, London EC2N 2DL, United Kingdom.

Solutus Advisers Limited was formed in 2010 and provides primary servicing, special servicing, commercial real estate advisory, loan agency and business support services to the European real estate industry. Through its offices in London and Frankfurt, Solutus Advisers Limited currently services and asset manages in excess of £3 billion of commercial real estate debt secured by properties in the United Kingdom, Germany, France and Holland.

**DESCRIPTION OF THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE  
AND THE BORROWER SECURITY TRUSTEE**

**U.S. BANK TRUSTEES LIMITED**

U.S. Bank Trustees Limited (registered number 02379632) will be appointed pursuant to the Trust Deed as the trustee for the Noteholders, pursuant to the Deed of Charge as the trustee for the Issuer Secured Creditors and pursuant to the Borrower Security Trust Deed as the trustee for the Finance Parties.

U.S. Bank Trustees Limited is a private limited company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, Fifth Floor, London EC2N 1AR.

U.S. Bank Trustees Limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services Limited (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than U.S.\$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with U.S.\$364 billion in assets as of 31 December 31 2013, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. The company operates 3,081 banking offices in 25 states and 4,906 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

**DESCRIPTION OF THE CASH MANAGER, THE BORROWER FACILITY AGENT, THE PRINCIPAL PAYMENT AGENT, THE ISSUER ACCOUNT BANK, THE AGENT BANK AND THE REGISTRAR**

**ELAVON FINANCIAL SERVICES LIMITED**

Elavon Financial Services Limited, a limited liability company registered in Ireland with the Companies Registration Office (registered number 418442), will be appointed as Registrar and, acting through its UK Branch (registered number BR009373), will be appointed as the Issuer Account Bank, the Cash Manager, the Borrower Facility Agent, the Principal Payment Agent and the Agent Bank.

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U.S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. branch are also subject to the limited regulation of the FCA and the PRA.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than U.S.\$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

## THE UNITED KINGDOM HIGHER EDUCATION AND STUDENT ACCOMMODATION SECTOR

The section has been prepared by Chalkhill Partners LLP with reference to third party sources where applicable.

### THE HIGHER EDUCATION MARKET

#### I.I DEMAND

##### I.I.I Key Highlights

**Summary:** *Long term trends show an increase in demand for higher education ("HE") in the UK, with an increase in overall applications, an increase in foreign students at both undergraduate and postgraduate level, an increase in full-time students and a decrease in students taking part-time courses. Demand for HE has been resilient to the economic crisis and the rises in student fees.*

Key Highlights from HESA<sup>3</sup> and UCAS<sup>4</sup> latest data reports are as follows:

- + For the 2012/13 academic year, the total number of full time students in higher education in the UK was 1,682,145. The total number of all students (including full time and part time students) in higher education in the UK was 2,340,275
- + In line with historic trends, undergraduate students represented 77.1% of total students in the year 2012/2013, with postgraduate students representing 22.9%. Full time students accounted for 71.9% of the overall population versus 28.1% part-time students
- + Full time undergraduate applications for the 2014/15 academic year of 580,010 are almost at their 2011 peak of 583,530, having grown annually at a 3.5% and 3.8% since the introduction of the new cap on tuition fees in 2012
- + Full time applications, including postgraduate students, for the 2014/15 academic year were 659,020, representing a 4% increase on the prior year. Of these applications, 544,580 were from the UK, 45,380 from other EU countries and 69,060 from outside of the EU

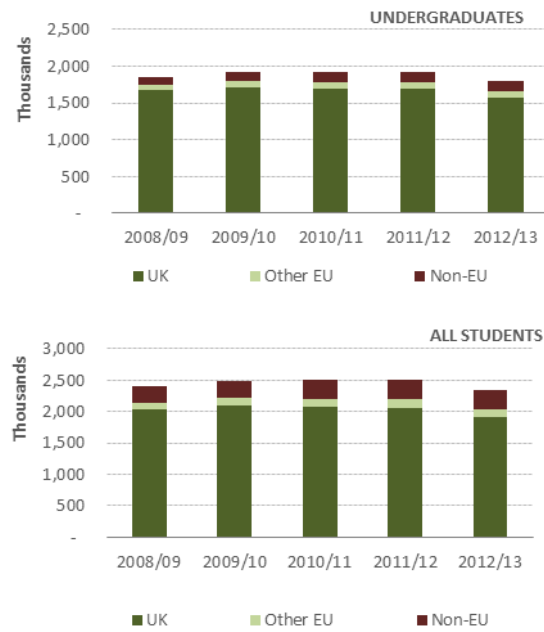
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<sup>3</sup> HESA ("Higher Education Statistics Agency") collects a range of data every year across the UK from higher education institutions and other differently funded providers of higher education. HESA is a charitable company funded by HE providers supplying the data.

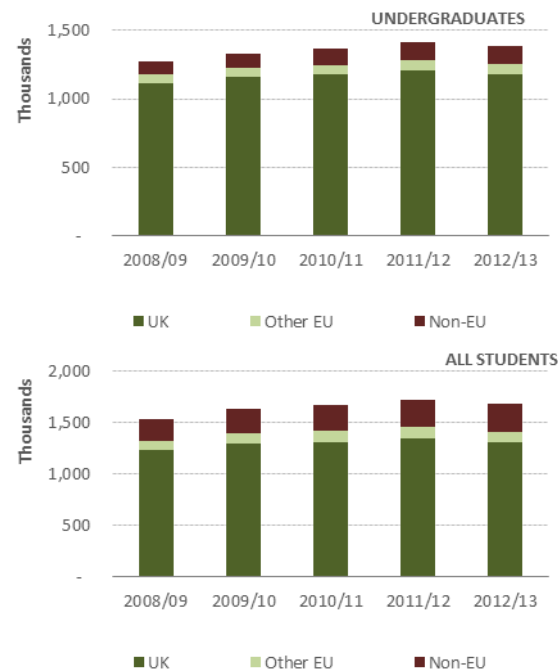
<sup>4</sup> UCAS ("Universities and Colleges Admissions Service") is the organisation responsible for managing applications to higher education courses in the UK.



**Figure 1. Total Students | Full-Time and Part-Time**  
 (Source: HESA)



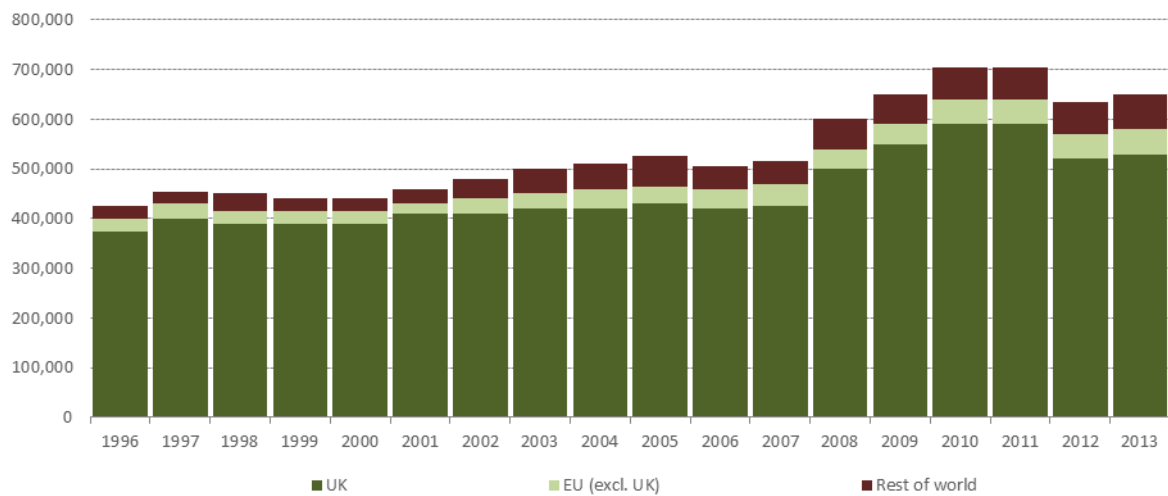
**Figure 2. Total Students | Full-Time Only**  
 (Source: HESA)



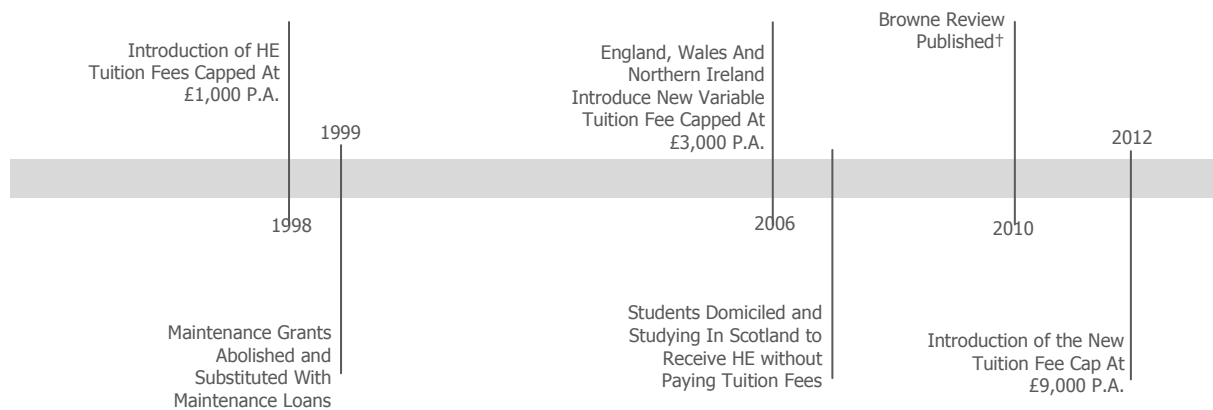
**I.I.II. Changes in the Tuition Fee Regime**

**Summary:** UK HE student demand has so far appeared to be fairly insensitive to changes in education pricing

**Figure 3. All UCAS Applications 1996-2013<sup>5</sup>**  
 (Source: UCAS)



**Figure 4. Timeline | Changes in Tuition Fee Regime and Key Events**  
 (Source: Chalkhill Partners LLP)



(+) **BROWNE REVIEW:** In November 2009, the Browne Review was launched, to consider possible future strategies for higher education funding in England. Its findings were published in October 2010 and it recommended that more of the burden of funding higher education should fall on graduates and the removal of the cap on the tuition fees chargeable by universities to students. The review found little evidence that the then current fee level (£3,225 in 2009-10) had deterred students from participating in higher education. The UK coalition government determined that from October 2012 that the cap would rise to £9,000 per annum.

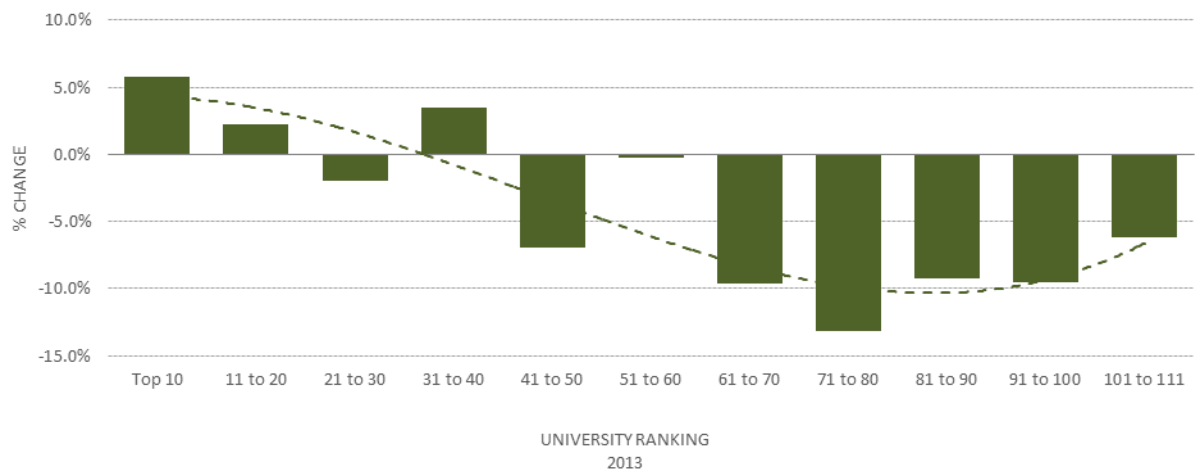
- + The introduction of tuition fees in 1998 does not appear to have deterred young people from participating in higher education, as applications continued to grow between 1998 and 2005
- + Within the English system, each university sets the price of its own courses and, in order to remain commercial in setting those fees, has to balance the price versus the

<sup>5</sup> In 2008 a number of changes including calculation, reporting and application cycle impacted data and statistics. (UCAS)

desirability of the course, generally measured by university's prestige and national ranking position<sup>6</sup>

- + In 2012-13, the median net tuition fee for entrants to full-time first degrees registered and taught at HEIs was around £8,700<sup>7</sup>

**Figure 5. Flight to Quality | Change in Total Number of Applications 2011 - 2013 by institution rank**  
(Source: UCAS and "The Times University Guide")



- + Analysing applications data for the academic years 2011/12 and 2013/14 against university rankings evidences a clear flight to quality during the period reflecting the introduction of increased tuition fees. Applications for the higher ranked or more prestigious universities were robust with these higher ranked institutions generally seeing an increase in the number of non-EU students, thereby off-setting any falls in UK domiciled student applications.

### I.I.III. International Students

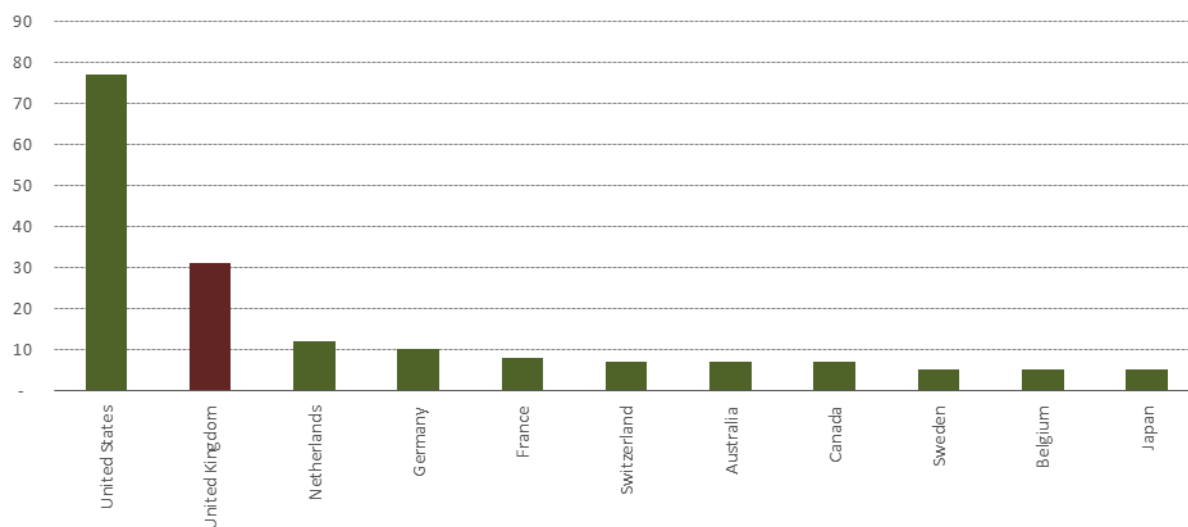
**Summary:** *The UK remains a highly attractive university destination given the quality and cost of its courses, compared to English language based alternatives*

- + As of 2013 the total number of foreign students enrolled in UK HE was 425,260. Of these, 70.5% were from non EU countries versus 29.5% from EU countries (excl. the UK)
- + 88.0% of all international students were enrolled on a full-time basis (374,305), 45.3% of those undertaking postgraduate courses (169,515)
- + Between 2008/09 and 2012/13 the growth in the number of foreign students enrolled in UK HE totalled 15.2% (368,970 in 2008/09 vs. 425,260 in 2012/13)

<sup>6</sup> Wilkins, S., Shams, F. and Huisman, J. (2013) The decision making and changing behavioural dynamics of potential higher education students : The impacts of increasing tuition fees in England. *Educational Studies*, 39 (2). pp. 125-141. ISSN 0305-5698

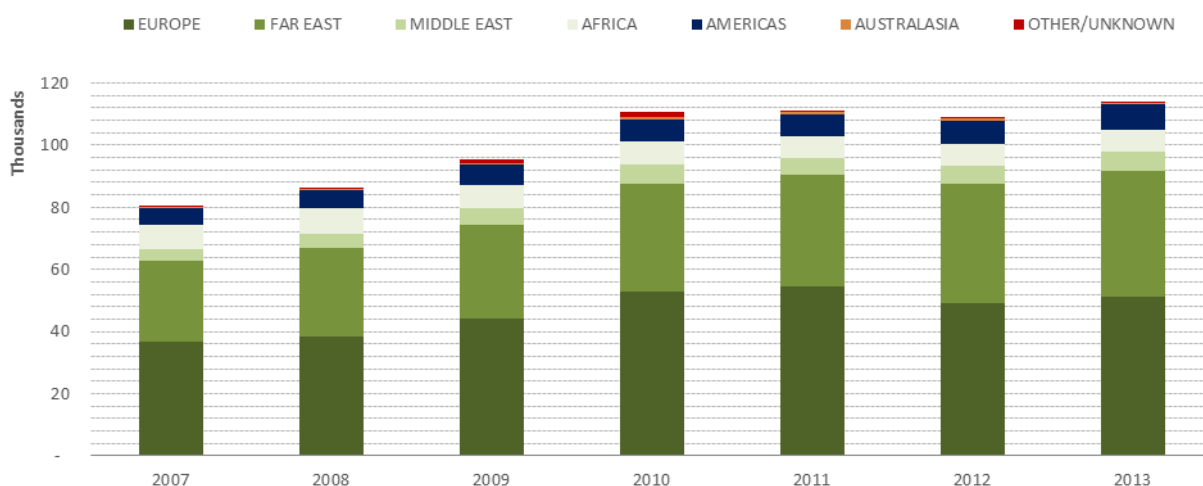
<sup>7</sup> HEFCE: Higher education in England 2014: Analysis of latest shifts and trends

**Figure 7. Number of Independent Universities Ranked Among the Top 200 Globally by Country**  
 (Source: timeshighereducation.co.uk)



- + The UK currently has 11 HE Institutions (“HEI”) among the top 100 HEIs globally, with 3 universities in the top 10 positions.

**Figure 6. % Total International Students in UK Universities 2007/08 – 2012/13**  
 (Source: UCAS)



- + As of 2013 the number of international applications to UK HEIs was c. 114,000, an increase of 4.7% on 2012. 35.5% of international applications were from students domiciled in the Far East
- + Over the period 2007-2013 the increase in applications from international students was 41.8%

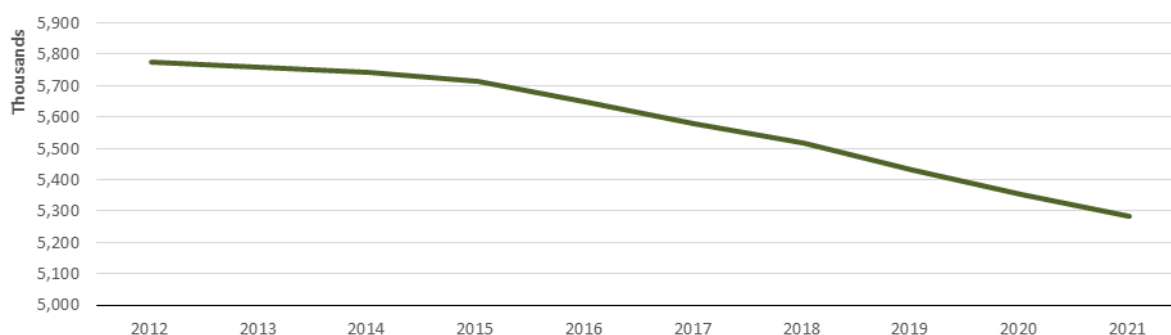
- + Tuition Fees for students coming from other EU countries are harmonised with those for domestic students and capped at £9,000 p.a.
- + Tuition Fees payable by non-EU domiciled foreign students are broadly in line with those charged by similarly ranked international HEIs<sup>8</sup>

#### I.I.IV. Demographic Trends

**Summary:** *Figures released in the UK by the Office of National Statistics (ONS) suggest that the population is becoming older and that there appears to be a reduced number of young children around the age of entry into the main education system (c.10 years old). Projections show that by 2021 this will imply a structural reduction in the domestic Student market size (Students in HE aged 18-24).*

#### Figure 8. ONS Population Projections - Demographic Projections 18-24Yrs Old Cohort

*(Source: ONS – Office of National Statistics)*



- + The ONS population projection for 18-24yrs cohort in 2014 is c. 5,750,000
- + By way of context, per HESA, there were 1,915,015 UK domiciled students in UK HE during the academic year 2012/13
- + By 2021 the ONS projects an absolute reduction in the number of 18-24yrs olds of c.490.000, equivalent to 8.5%
- + Over the period 2008/09 – 2012/13 the annual growth in overseas students enrolling at UK HEIs has averaged 14,000 students p.a.
- + Since 2000<sup>9</sup> the effect of migration has created a higher number of eighteen year olds in the UK than children born in the UK eighteen years previously, thereby reducing the impact from the falling birth rate
- + The decrease in 18-24 year olds is predicted to bottom out by 2020. With 800,000 children born in 2012, the highest since 1991, this decrease will have turned into a boom by 2030

<sup>8</sup> Observations based on statistics provided by the Times Higher Education Ranking (based on datasets collected by Thompson Reuters)

<sup>9</sup> Savills World Research – UK Student Housing, 2014

## STUDENT ACCOMMODATION MARKET

### I.II. SUPPLY

#### I.II.I Market Overview

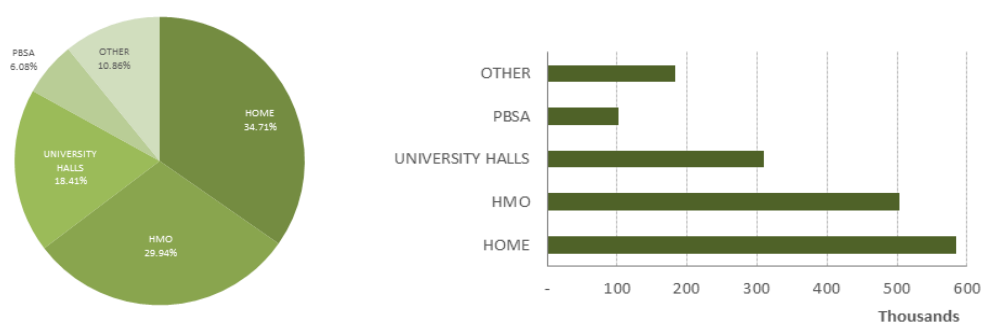
**Summary:** *With the introduction of increased tuition fees, universities are increasingly focused on the provision of academic, sporting and social facilities with less focus on accommodation provision. As traditional university developed halls of residence struggle to cope with the increased demand for accommodation, the supply of new accommodation is increasingly being met by the private sector in the form of houses in multiple occupation ("HMOs") and Purpose-Built Student Accommodation ("PBSA"). With planning considerations impacting the supply of new HMOs in the marketplace, increased demand is being created for PBSA.*

*Evidence, such as the UNITE Student Experience Survey 2014, shows that students are becoming increasingly discerning and are willing to pay a premium for factors such as location, security and cleanliness along with facilities such en-suite bedrooms and inclusive Wi-Fi.*

Students enrolled in Higher Education ("HE") courses in the UK have the following choices in relation to their accommodation during their studies:

- + Own residence and/or Parent/Guardian Home
- + Houses of Multiple Occupancy (HMO)
- + University-Owned Halls of Residence
- + Purpose built student accommodation (PBSA)

**Figure 9. Term Time Accommodation Full Time and Sandwich Students 2012/13**  
(Source: HESA<sup>10</sup>)



**Summary:** *Data collected by HESA evidences the importance of the private sector, both in the form of HMO and PBSA, in the provision of student accommodation. Rising student numbers have created a structural imbalance between demand for PBSA and an insufficient supply pipeline*

<sup>10</sup> Data collected by HESA on the basis of individual student responses. Home as classified in Figure 9 is the aggregate of HESA data reported as Parental / Guardian Home and Own Residence.

- + There is a wide variation in provision of existing supply across the UK. As of 2012/2013 universities owned over c. 310,000 beds, accounting for a 18.4% share of the student private accommodation market, with PBSA accounting for c. 102,000 beds (6.07%)

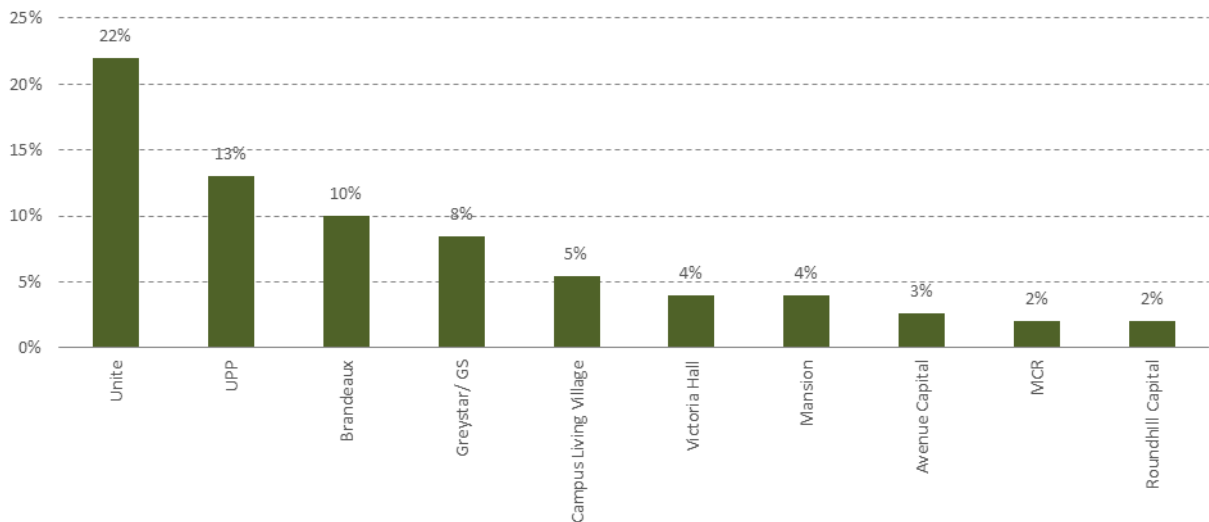
### I.II.II. Ownership

**Summary:** *The top 10 providers within the PBSA sector have a market share in excess of 73%*

As of Q4 2013, per a study conducted by GVA Grimley, the largest private owner in the UK was UNITE with a 22% market share. In Figure 9, Chalkhill Partners has extrapolated out the GVA Grimley study to reflect the known disposals of the Opal Property Group.

**Figure 10. PBSA Market Share (Top 10) by Owner**

*(Source: GVA 2013, Chalkhill Partners LLP)*



### I.II.III. Facility Management & Operations

**Summary:** *Purpose-built student property requires a dedicated student facility management function, specialising in renting and managing developments of this type*

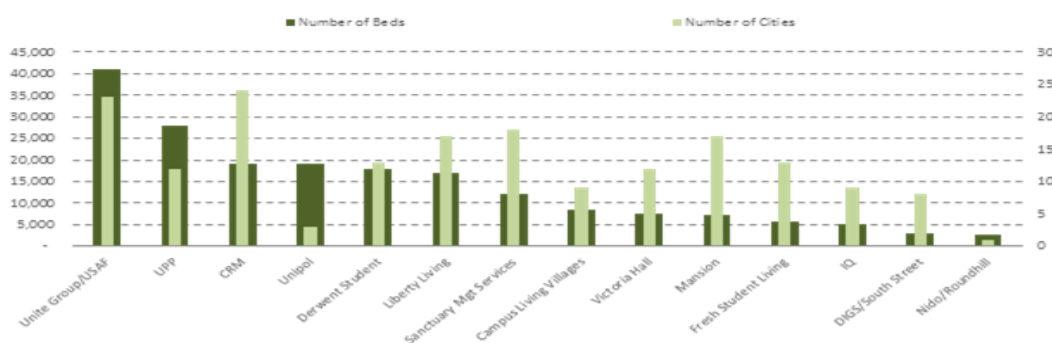
Facilities Management (FM) Costs represent the full range of costs associated with the operation, management and maintenance of accommodation. There are four main type of facilities management cost expenditure. These can be categorised as follows:

- + Services – energy costs (includes water, gas and electricity) relating to student bedrooms, common areas and management areas, together with telephone costs for the operation of the scheme
- + Maintenance and sinking fund – repairs, maintenance and an appropriate sinking fund provision (includes reactive maintenance, annual planned maintenance and preventative maintenance on the internal/external fabric of the building, plant and machinery and lifts etc.)

- + Direct Costs (excluding maintenance) – the direct costs of property management maintenance, including letting, insurance advertising and security
- + Operational Management costs – direct labour costs required for property management personnel (e.g. property managers, marketing assistants and wardens etc.) for scheme operation, room allocation and rent collection etc.

**Figure 11. Operators Overview**

(Source: Chalkhill Partners LLP)<sup>11</sup>

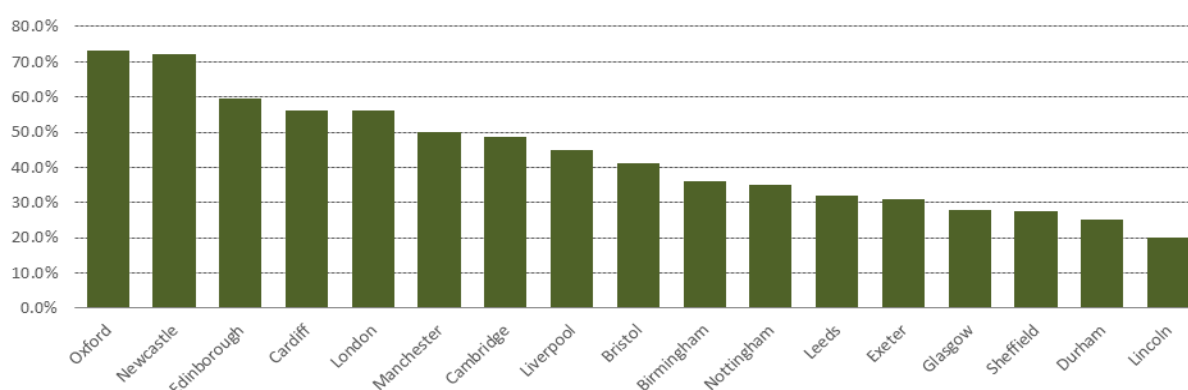


#### I.II.IV. Rental Market

**Summary:** *The sector has demonstrated that provided with choice, students will elect to pay significantly more for PBSA accommodation than HMO Stock. Rents react quickly to market conditions with annual adjustments occurring ahead of each new academic year. Throughout the year operators are able to adjust their prices to reflect demand<sup>12</sup>.*

**Figure 12. PBSA Rental Premium Above HMOs Rents**

(Source: Knight Frank)



Students acting as consumers recognise the added value that professionally managed higher specification PBSA delivers, and will pay a premium over HMO stock. According to Knight Frank, in every accommodation market across the country, students will elect to pay

<sup>11</sup> Data compiled by Chalkhill Partners LLP on the basis of publicly available information (company websites).

<sup>12</sup> Knight Frank – Proprietary Research



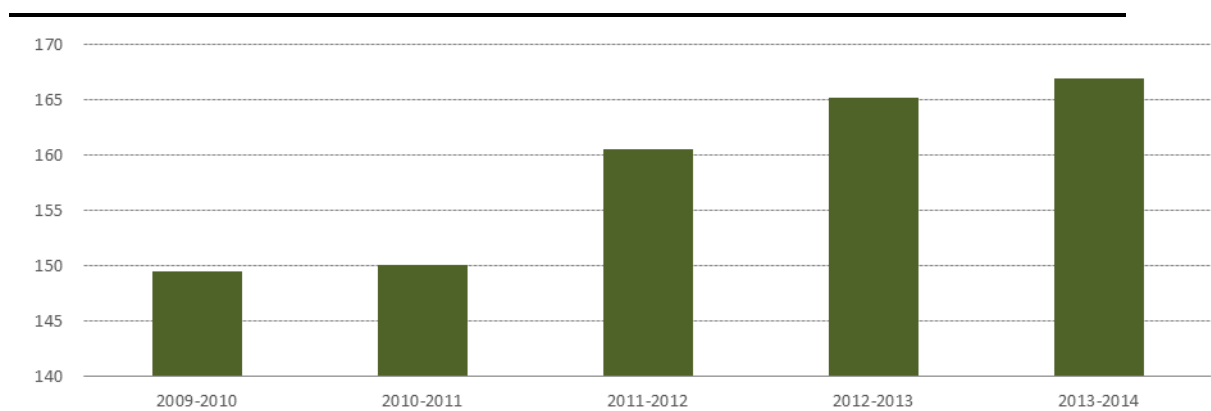
considerably more for quality. Rents for PBSA are up to 75% higher than HMOs in cities such as Oxford and Newcastle, reducing to an average premium of 56% in London.

Additional considerations as per Knight Frank:

- + In the current academic year 2013/2014 the majority of operators in most markets are reporting full occupancy with some rental growth over the previous year
- + The student accommodation sector has produced positive rental growth throughout every year of the economic downturn

**Figure 13. Knight Frank Student Property Index | All UK Rents 2009/10 to 2013/14**

*(Source: Knight Frank)*



- + Across the UK blended average rental growth over the period 2009 -2013 was 2.34%.
- + Rental growth of this order demonstrates a strong performance for the sector in the context of the introduction of tuition fees

## PROPERTY PORTFOLIO INFORMATION

### Overview

A description of the Nottingham Property, the Trinity Square Property, the Sheffield Property and the Summit Property (each, a "**Property**"), including facilities management, is set out in the relevant property specific paragraphs below.

### Key Characteristics

<i>Asset</i>	<i>Tenure</i>	<i>Owner</i>	<i>Purpose</i>	<i>Year Built</i>	<i>Valuation</i>
Leicester Summit	Freehold	GL Europe Summit Sarl	Student accommodation	2012	£25,380,000
Nottingham 1, 2 and 3	Freehold	GL Europe Nottingham 12 Sarl	Student accommodation	2009 and 2011	£61,320,000
Trinity Square	Long leasehold	GL Europe Trinity Square Sarl	Student accommodation	2008	£34,820,000
Sheffield 3	Mixed tenure	GL Europe Sheffield 1 Sarl	Student accommodation	2009	£52,250,000

### Additional Asset Acquisitions

Provided that the New Property meets the following criteria, the entities that become additional obligors pursuant to the terms of the Borrower Facility Agreement are entitled to incur additional financial indebtedness, provided, inter alia, that the lender with respect to such additional financial indebtedness is the Issuer, to acquire New Property and the Issuer will raise the relevant finance pursuant to an issuance of Additional Notes:

#### *Asset Criteria*

Occupancy	Occupancy of each incoming property must be at least 90% for the prior academic year or must evidence bookings of 90% occupancy for the forthcoming academic year
En-Suite	At least 85% of the rooms in any new asset must be en-suite
City Concentration	No more than 50% of the rooms within the aggregate portfolio can be concentrated in one city or town
Qualifying Location	To be a city or town with at least 15,000 higher education students provided that no more than 20% of the aggregate portfolio by value can be in a city or town without a top 50 ranked higher education institution of which no more than 5% of the portfolio by value can be in a city or town without a top 75 ranked higher education institution (as ranked by the Sunday Times Good University Guide, or if that is no longer published then the Complete University Guide and if that is no longer published then a ranking guide to be agreed with the Borrower Facility Agent)
Minimum Asset Size	If a further issuance will introduce a new city or town into the portfolio, then at the time of further issuance that new city or town must have a minimum of 300 beds

#### *Financial Covenants*

Loan to Value	A maximum Loan to Value of 60% for any New Property (with no further leverage for existing Property(s))
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Interest Cover	Either: (a) the Interest Cover calculated as if the New Financial Indebtedness had been incurred and the New Property was part of the Properties must not drop below 2.5x; or (b) if at the time of incurring the New Financial Indebtedness, the Interest Cover is in the range of 2.0-2.5x, the New Property must be accretive to Interest Cover
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***General Covenants***

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Rating Agency	Confirmation that the prevailing rating will not be adversely affected by any further issuance
Arm's Length	The acquisition of the asset(s), underpinning the further issuance is made in the ordinary course of business on an arm's length basis
Event of Default	No event of default has occurred and is continuing or would result from the further issuance
Purpose	The primary purpose of any additional asset(s) is student accommodation
Tenure	Each additional asset(s) is freehold or long leasehold (on standard market terms, namely including an unexpired term of more than 75 years with a peppercorn/nominal rent )
Quantum	No further drawings less than £5,000,000
Interest Reserve	Issuer Interest Reserve to be increased by an amount equal to six months of interest on the Additional Notes, calculated on the basis of LIBOR subject to the Capped LIBOR Rate plus the applicable Margin.

**Valuer**

Each of the properties has been individually valued by Knight Frank (the "**Valuer**"). Knight Frank acted for the vendors of the Megaclose portfolio which included Leicester Summit which was acquired by GL Europe Summit Sarl in April 2014. With this exception Knight Frank has had no current or recent fee earning involvement with the Properties, the Borrowers or any other party connected with this transaction.

The Knight Frank Student Property team provides sector specific advice focussed on identifying, creating and optimising value for a broad range of stakeholders. The team has acted for a wide range of clients including universities, educational institutions, developers, private land owners and charities. The Knight Frank Student Property team is comprised of ten full time surveyors specialising in all matters relating to the transaction and valuation of student accommodation. In 2013 the team valued in excess of £3.0 billion of student accommodation assets for banks, lenders, property companies and institutional and specialist funds.

Knight Frank is a leading independent global real estate consultancy which is the second largest contributor to IPD Monthly Index. Knight Frank is headquartered in London with 335 offices globally, employing in excess of 12,000 professionals.

**Valuation**

The aggregate market value of the Property Portfolio as determined by the Valuer as at 13th June 2014, in its Initial Valuation, a short-form version of which appears in Appendix 1, is £173,770,000.

The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (2014), Global & UK edition (the "**Red Book**") including International Valuation Standards (IVS). The Initial Valuation was prepared based on site inspections by the Valuer on 9<sup>th</sup> June 2014 and 10<sup>th</sup> June 2014 and information

provided to the Valuer by the Borrowers and third parties, including reports on title, Building Survey reports and environmental reports. On the basis of the Initial Valuation, the net Loan to Value ratio of the Loan, net of the Interest Reserve Amount, will be 60 per cent on the Closing Date.

### **Insurance**

As at the Closing Date the following insurance policies will be in place in relation to the Properties and the business of the Obligor:

- (a) buildings insurance cover against all risks (including terrorism) in an amount equal to the full re-instatement value of each Property together with loss of rent for a period of 36 months;
- (b) public liability insurance cover in an amount not less than £10 million per occurrence;
- (c) employers' liability insurance in an amount not less than £10 million per event.

The insurance for the assets known as Nottingham 1, 2 and 3, Trinity Square (operations insured by Derwent but building insured by landlord) and Sheffield 3 are covered under a Derwent Facilities Management Ltd policy with Mitsui Sumitomo Insurance Group (rated A+ by S&P). The insurance for the Leicester Summit asset is directly held with Aviva Insurance Limited (rated A- by S&P). The insurance held by the landlord of the asset known as Trinity Square is directly held with Aviva Insurance Limited. In the case of the Trinity Square buildings insurance, the landlord is to use reasonable endeavours to note the tenant and its mortgagee's interest (i.e. the Borrower Security Trustee). Insurance will be co-insured, except Trinity Square buildings insurance which will be noted.

With respect to the Facilities Management Contracts detailed in the following section, Derwent Facilities Management Limited and Student Union Lettings Limited have professional indemnity insurance, in an amount not less than £5 million for any one claim, with Mitsui Sumitomo Insurance Group and Hiscox Insurance Company Limited (rated "A" by S&P) respectively.

### **Dates of acquisition**

The Borrowers acquired the Properties on the following dates:

Sheffield 3: 4<sup>th</sup> October 2013

Nottingham 1 and 2: 4<sup>th</sup> October 2013

Nottingham 3: 19<sup>th</sup> December 2013

Trinity Square: 30<sup>th</sup> October 2013

Leicester Summit: 25<sup>th</sup> April 2014

### **Facilities Management Contracts**

#### ***General***

The Management Companies receive facilities management services in respect of the Properties.

In respect of all of the Properties, the relevant services (save for marketing and lettings in the case of Leicester Summit) are provided by Derwent Facilities Management Limited (the "Contractor").

The details of the contracts are set out below:

***Property: Nottingham 1, 2 and 3, Nottingham NG7 3EH ("Nottingham" and the Nottingham Property")***

**Contract:** Accommodation management and facilities management contract between GL Europe Nottingham UK Limited and Derwent Facilities Management Limited dated 4 October 2013 in relation to Nottingham 1 & 2 as amended by amendment agreement dated 19 December 2013 which also brought Nottingham 3 within the original contract in respect Nottingham 1 & 2 (the "Nottingham FM Contract").

***Property: Shakespeare House and Milton House, Trinity Square, Shakespeare Street, Nottingham NG1 4BR ("Trinity Square" and the "Trinity Square Property")***

**Contract:** Accommodation management and facilities management contract between GL Europe Trinity Square UK Limited and Derwent Facilities Management Limited dated 30 October 2013 in relation to Trinity Square (the "Trinity FM Contract").

***Property: Sheffield 3, S3 7LG ("Sheffield" and the "Sheffield Property")***

**Contract:** Accommodation management and facilities management contract between GL Europe South Yorkshire UK Limited and Derwent Facilities Management Limited dated 04 October 2013 in relation to Sheffield 3, as amended by an amendment agreement dated 19 December 2013 (the "Sheffield FM Contract").

***Property: The Leicester Summit, Eastern Boulevard, Leicester LE2 ("Leicester Summit" and the "Summit Property")***

**Contracts:**

- (a) Accommodation management and facilities management contract between GL Europe Summit UK Limited and Derwent Facilities Management Limited dated 25 April 2014 in relation to the Leicester Summit. (the "Summit FM Contract").
- (b) Management agreement dated 25 April 2014 between GL Europe Summit UK Limited and Student Union Lettings Limited in relation to the Leicester Summit (the "Summit Management Agreement").

***Summary of General Terms***

*Client Employees*

The Contractor is responsible for acting as the relevant Management Company's assets agent in relation to the oversight of each Management Company employees' activities, including the day-to-day supervision of the Management Company employees' activities and certain administrative aspects of their employment, including payroll, training and day-to-day management.

*Services in respect of Properties other than Leicester Summit*

Each Management Company and the Contractor have agreed responsibility for providing the accommodation management services with respect to the Properties other than Leicester Summit.

Each Management Company is responsible for the management of relationships with any university from time to time which enters into a nomination agreement with the relevant Management Company in respect of the whole or part of the relevant property ("**Universities**") and liaison over marketing and letting arrangements.

The Contractor and the relevant Management Company's employees under the supervision and control of the Contractor, are responsible for providing (without limitation) pastoral care services to all occupants other than temporary occupants of a Unit during any vacation period ("**Vacation Occupants**") of the Units (the "**Tenants**"), marketing, rent collection, the preparation of management accounts and reports, human resource management, liaison and monitoring services, administration of the tenancies, providing an on-line tenant's handbook, providing and maintaining a health & safety policy, providing services relating to the operation of accounts, customer satisfaction, a 24/7 helpdesk, fault reporting and dealing with incidents and the purchase and use of the products and equipment required for the provision of the facilities management services.

Each Management Company and the Contractor have agreed responsibility for providing the facilities management services. The Contractor, and the relevant Management Company employees under the supervision and control of the Contractor, are responsible for providing services relating to (without limitation) maintenance, out of hour call outs, cleaning and providing cleaning products, waste management, pest control, window cleaning, reception, postal and parcel services, security and grounds maintenance.

The Contractor is also responsible for funding all reactive repairs under £250 (excluding the scheduled renewal or replacement of sinking fund items and defects), recommending a list of essential spares for plant and equipment and providing all reactive repairs in respect of the use of the premises by Vacation Occupants during any vacation period. Sinking fund items include (without limitation) external doors, roofs, window replacements, gutter replacements, painting of the following: walls, ceilings, woodwork and skirtings, carpets and vinyl flooring, bedroom wardrobes, kitchen furniture such as tables and chairs, worktops and storage units, white goods, electrical heating systems, boilers, pumps, fans, heating and hot water systems, CCTV, hard landscaping and refurbishment of kitchens, bathrooms and en-suites and common rooms and communal facilities.

Each Management Company is responsible for paying for the stock and ongoing replenishment of essential spares for plant and equipment.

#### *Occupation of the units for the purposes of VAT*

In relation to the Nottingham and Sheffield FM Contracts, (but not the Leicester Summit or Trinity FM Contracts), the relevant Management Company and the Contractor have agreed specific provisions for the purposes of VAT. These provisions are set out below.

The relevant Management Company and the Contractor have agreed that the relevant Management Company intends the units to be used "solely for a relevant residential purpose" for the purposes of VAT. The Contractor shall ensure that the units are not used otherwise than for the accommodation of Students and shall not enter into on behalf of the relevant Management Company any leases or licences to occupy in respect of any units except an assured short hold tenancy agreement with each Tenant the form of which is attached to the relevant FM Contract as amended from time to time by the relevant Management Company (a "**Tenancy Agreement**").

Subject to the relevant Management Company notifying the Contractor of the RRP Use Test the units may be used during vacation periods for the accommodation of Vacation Occupants who enter into a temporary accommodation contract with each Vacation Occupant in the form attached to the relevant FM Contract as amended from time to time provided that the

Contractor shall ensure that no such use shall be permitted where such use would cause the RRP Use Test not to be satisfied at any time.

**“RRP Use Test”** means the methodology, as notified by the relevant Management Company to the relevant Contractor from time to time, to be used by the relevant Contractor for the purposes of confirming that the units are used “solely for a residential purpose” with the meaning of the Value Added Tax Act 1994 and published guidance and practice of HM Revenue and Customs in relation thereto.

Unless and until the relevant Management Company notifies the Contractor of the RRP Use Test, the Contractor shall not allow any occupation of the units otherwise than by Students who enter into a Tenancy Agreement.

In relation to the Leicester Summit the Leicester Summit Management Company and Sulets have agreed that the Management Company intends the units to be used “solely for a relevant residential purpose” for the purposes of VAT. The Trinity FM Contract is silent on the basis that there is no requirement for the Trinity Property to be used “solely for a relevant residential purpose” as Trinity Square is a leasehold property and the permitted use is student accommodation only.

### ***The Summit Management Agreement***

#### *Services*

Under the Summit Management Agreement, Student Union Lettings Limited (company number 08140750) (“**Sulets**”) is responsible for marketing, rent collection and processing, rent reconciliation and reporting, administration of the tenancies and liaising with the Universities over marketing and letting arrangements. The Contractor and Sulets are also responsible together for customer satisfaction, the tenant’s handbook (Contractor to update and Sulets to distribute to tenants) and providing rent setting advice to the Management Company.

Under the Summit FM Contract, the Contractor, and the Leicester Summit Management Company employees under the supervision and control of the Contractor, are responsible for providing (without limitation) pastoral care services to the Tenants, the preparation of management accounts and reports, human resource management, liaison with the client and monitoring providing and maintaining a health & safety policy, providing services relating to the operation of non-rental accounts, a 24/7 helpdesk, fault reporting and dealing with incidents and the purchase and use of the products and equipment required for the provision of the relevant services as per the Summit FM Contract and provision of a quarterly performance report.

#### *Term and termination rights*

The term of the Summit Management Agreement is from and including the date of the Summit Management Agreement to and including 30 June 2019 and is then automatically extended for a further year unless either serves notice that it should not be so extended.

### ***Payment under all FM Contracts***

Under all FM Contracts the Contractor raises an invoice on the 5<sup>th</sup> day of each month for the payment of a monthly management services fee and certain other amounts including (but not limited to) any additional Sinking Funds Works and repairs costing more than £250.

The payments due to Derwent under the respective FM Contracts consist of the following components:

- Accommodation Management Services Fee
- Facilities Management Services Fee
- Utility Costs (subject to an annual true up mechanism)
- Marketing (except the Summit FM Contract)
- IT Costs (where such services are provided)
- Staff Costs

With the exception of The Summit, the aggregate of the payments due under the FM Contracts are broadly in line with the FM Cost assumption contained within the Initial Valuation.

For The Summit, the overall costs are in excess of the FM Cost assumption contained within the Initial Valuation primarily as a result of the costs due under the Sulets Management Agreement. Under the Summit Management Agreement Sulets are entitled to deduct their Management Agreement fee from payments it receives from the Tenants. These deductions are linked to the rent payment dates under the assured shorthold tenancy agreements (each an "AST") and are to take place on each 1<sup>st</sup> July, the 3<sup>rd</sup> Monday of October, the 3<sup>rd</sup> Monday of January and the 3<sup>rd</sup> Monday of April of each year of the contract.

***Term and FM Contracts other than the Summit Management Agreement***

The term of each FM Contract is five years from and including the commencement date of each FM Contract. The parties to those FM Contracts may extend the term by agreement.

Either party may terminate a FM Contract by serving a break notice on the other party. The relevant Management Company shall serve the break notice at least 1 month before the relevant break date, and the Contractor shall serve the break notice at least 3 months before the relevant break date. The break dates are 30 June and 31 December of each year.

Each relevant Management Company may terminate the relevant FM Contract with immediate effect by giving written notice to the Contractor if a default on behalf of the Contractor occurs (which includes, but is not limited to in any Contract Year, 30% or more of the units at the relevant Property are un-let), or a Force Majeure event persists in relation to the Contractor for a period of more than 30 days. The relevant Management Company may also terminate any agreement at any time from the commencement date if the relevant Management Company decides to sell the freehold estate and/or leasehold interests in the premises, or a direct or indirect parent company of the relevant Management Company decides to dispose of its shares in the relevant Management Company or the owner of the freehold, provided that the relevant Management Company shall notify the Contractor as soon as reasonably practicable following the decision to sell.

The Contractor may terminate any agreement on 1 month's prior written notice where there is a Management Company Default provided that the Contractor shall not be entitled to terminate the agreement if the relevant Management Company has rectified or remedied the relevant Management Company Default within the relevant 1 month notice period. A Management Company Default includes (but is not limited to) the relevant Management Company failing to make payment of an undisputed amount where the outstanding sum exceeds the aggregate of two months' monthly management services fee and such amounts remaining unpaid for 20 working days from the last relevant final payment date, or the Management Company committing a material breach of its obligations under the relevant FM Contract.

Either party can terminate the agreement if the other party is in material breach of the agreement and fails to remedy such breach within 14 days of notice.



### ***Leases to the Management Companies***

In respect of each Property the relevant Borrower granted a lease to the relevant Management Company immediately on completion of its purchase (an "**Intra-Obligor Lease**" and together, the "**Intra-Obligor Leases**").

Each Intra-Obligor Lease is on similar terms for each site. The term is 7 years less 1 day from the date of grant and there is a mutual break option on 1 month's notice (the Intra-Obligor Leases are contracted out of Part II of the Landlord and Tenant Act 1954).

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

The tenant will pay 97% of the 'net income' to the landlord as principal rent.

Tenant Residential Income, excluding Tenant Summer Income, is the aggregate of:

- the fees payable by any student pursuant to their Assured Shorthold Tenancy;
- the fees from leasing/licensing out a lettable student part;
- any fees payable pursuant to a nomination agreement; and
- any income collected by the tenant in relation to the use of ancillary student parts (includes rents/income from car parks, laundry facilities, vending machines etc.).

Tenant Commercial Income is any income collected by the tenant in relation to the use of the commercial parts (if any).

Tenant Summer Income is the income in relation to any summer let period (if any) agreed between the parties from time to time from any rents and other income collected in respect of the student parts.

The tenant's operating costs are defined as the proper and reasonable costs incurred by the tenant in providing the defined student services, the commercial services and the summer services as set out in the Intra-Obligor Leases (the "**Tenant's Operating Costs**").

Each Management Company has confirmed that that it has not granted any security over its interests under the relevant Intra-Obligor Lease.

## ***Leicester Summit Summary***



<i>Leicester Summit</i>	
<b>Address</b>	The Summit, Eastern Boulevard, Leicester LE2 7BF
<b>Higher Education Establishment</b>	De Montfort University and University of Leicester
<b>Location</b>	0.3 miles from De Montfort University. 1 mile from University of Leicester. 0.8 miles from City Centre. 1 mile from rail station
<b>Year Built</b>	2012
<b>Number of Rooms</b>	369
<b>Accommodation Type</b>	364 Studio Rooms 5 One Bed Flats
<b>En Suite Room %</b>	100%
<b>Higher Education Population</b>	29,295
<b>Students in Purpose Built Accommodation</b>	7,113 in University Halls 5,620 in Private PBSA
<b>Students : Purpose Built Accommodation Ratio</b>	2.30 : 1
<b>Nominations Agreement</b>	none
<b>Commercial Income</b>	none

### *Tenure*

Freehold.

### *Matters affecting the Property*

With respect to Leicester Summit:

- (a) The Property is within an area at risk of flooding. The majority of the site has a moderate risk of river flooding but a small proportion of the west of the Property is at a higher risk due to the presence of the River Soar 21m west. There is a

moderate risk of tidal/fluvial flooding with the risk of significant flooding exceeding depths of 200mm assessed as likely to occur in the event of a 1 in 1000 year event. The area is also identified as prone to groundwater flooding, although this risk is considered to be significantly less than the risk of flooding from the river. Flooding is covered by the insurance policy for the Property.

- (b) The final certificate is yet to be issued in respect of a s278 Agreement dated 9 May 2012 which affects the Property. The agreement requires the owner of the Property to carry out certain highway works. The provisional certificate stating that the highway works have been satisfactorily completed was issued on 14 April 2014 and the final certificate cannot be issued until 12 months after the date of the provisional certificate during which period the owner is responsible for maintaining the highway works.
- (c) Defects in title and unknown covenants may exist but title insurance has been put in place.

#### *Building Survey / Environmental*

The Building Survey report conducted by GL Hearn, dated 12 November 2013, comments that the buildings in the development appear to be structurally sound and there is nothing to suggest that the properties have not been well constructed and maintained through the course of their lives. GL Hearn identified remedial works of £40,500. Knight Frank in the Initial Valuation consider the level of works to be relatively low and that such costs could be met through the annual facilities management budget.

An environmental summary by Delta Simons, dated 6 November 2013, states that the overall risk associated with ground contamination at the site is low to moderate.

#### *Construction Warranties*

The registered proprietor and the relevant Borrower have received collateral warranties from the main contractor and the registered proprietor has received an assignment of the benefit of the guarantee from the parent company of the main contractor.

The registered proprietor and the relevant Borrower has also received collateral warranties from the architect, CDM Coordinator, Employer's Agent, Quantity Surveyor, Mechanical and Electrical Engineer, tower external facade sub-contractor, piling sub-contractor and lifts sub-contractor.

There is no consultant collateral warranty from HSP Consulting LLP (the structural engineer) and no sub-contractor warranties from Independent Ground Improvement Company and Specialist Electrical Services (South West) Limited as they are in liquidation. The responsibility for any relevant defect or loss would fall to the main contractor under the main contractor warranties to the owner of the Property and the relevant Management Company.

The registered proprietor and the relevant Borrower are still to receive collateral warranties from H Malone and Sons Limited (Design, supply, delivery and installation of mechanical and plumbing works) although it is understood that this is coming.

The collateral warranty from the Subcontractor OTIS contains a net contribution clause, and states that it is a condition of the Subcontractor's liability that the equipment has been maintained under a comprehensive service contract on mutually agreed terms for the whole of the period from Practical Completion to the date when any proceedings are commenced. If the equipment has not been maintained, the liability is limited (at the Subcontractor's option) to the repair, renewal and/or reinstatement of any parts.

### *Assured Shorthold Tenancies*

All of the rooms at the Leicester Summit are let to individual occupiers on the terms of standard form AST granted under the Housing Act 1996, in line with standard practice.

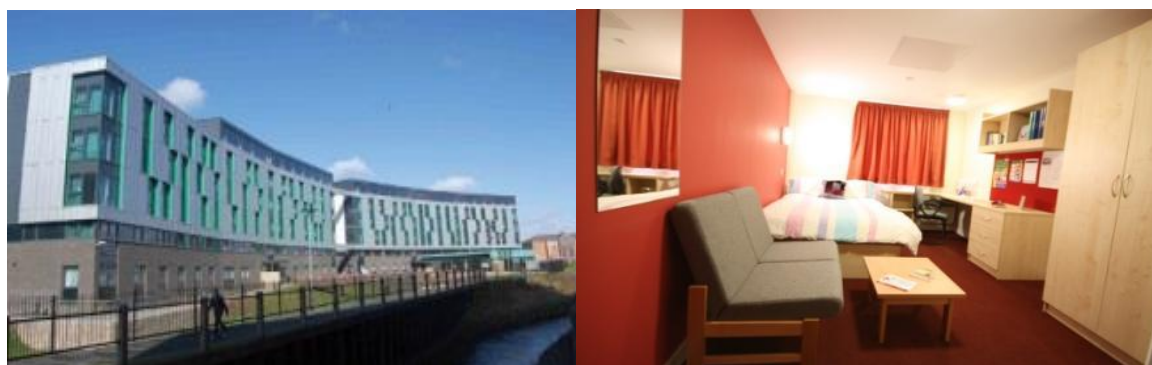
The agreements are in place for an effective term of 48 weeks. Rent is generally paid in three or four instalments (in the latter case a guarantor of the tenant's obligations is also required).

### *Key Investment Considerations*

The Summit Borrower's investment in the Leicester Summit asset was influenced by the following considerations:

- (a) Modern asset constructed in 2012.
- (b) Large student catchment being within 1 mile of both the University of Leicester, ranked 14<sup>th</sup> in the 2014 Sunday Times Good University Guide, and De Montfort University, ranked 86<sup>th</sup> in the 2014 Sunday Times Good University Guide.
- (c) Ratio of the Higher Education population to purpose built student accommodation.
- (d) 100% historic occupancy.
- (e) Higher comparable growth in international student numbers. As per the Initial Valuation, over the last ten years international student numbers in Leicester have grown by 60% over the last ten years, compared with a growth of 55% across the UK over the same period.
- (f) Opportunity for rental growth over several years.
- (g) Competitive benefits of Sulets Management Agreement.

### ***Nottingham 1, 2 and 3 Summary***



		<i>Nottingham 1, 2 and 3</i>
<b>Address</b>		Nottingham 1, 2 and 3, Midland Way, Nottingham NG7 3EH
<b>Higher Education Establishment</b>		University of Nottingham and Nottingham Trent University
<b>Location</b>		10 minute walk from University of Nottingham Jubilee Campus

<b>Year Built</b>	2009 Nottingham One and Two, 2011 Nottingham 3
<b>Number of Rooms</b>	1,096
<b>Accommodation Type</b>	318 Deluxe En-Suites and 453 Standard Plus En-Suites situated as Three, Four and Five Bed Clusters 315 Studios 10 Apartments
<b>En Suite Room %</b>	100%
<b>Higher Education Population</b>	53,610
<b>Students in Purpose Built Accommodation</b>	13,648 in University Halls 5,840 in Private PBSA
<b>Students : Purpose Built Accommodation Ratio</b>	2.75 : 1
<b>Nominations Agreement</b>	none
<b>Commercial Income</b>	none

#### *Tenure*

Nottingham 1, 2 and 3 is formed of two separate properties:

- (a) Nottingham 1 & 2 which is registered under 9 separate freehold titles; and
- (b) Nottingham 3 which is registered under 1 freehold title.

#### *Matters affecting the Property*

Nottingham 1 & 2:

The retail unit at Nottingham 1 & 2 is let on a 999 year lease to West-Que Park Holdings Limited at a yearly rent of one peppercorn.

In particular, with respect to Nottingham 1 & 2:

- (a) Two parts of the Property are held under a possessory title (which is the weakest form of title and can be challenged by a third party who can provide evidence of ownership). The relevant areas are a grassy area between the building and the pavement and part of a large pavement area.
- (b) Part of the Property is to be dedicated as public highway maintainable at public expense but the deed of dedication is outstanding.

Nottingham 3:

In particular, with respect to Nottingham 3:

- (a) The Property does not benefit from a public highway but has the benefit of a right of way over Midland Way which connects to the public highway. This right of way exists until Midland Way is adopted. The registered proprietor is negotiating a deed of dedication with the local authority for the adoption of Midland Way but this has not yet been completed.

### *Building Survey / Environmental*

The Building Survey reports for Nottingham 1 & 2 and Nottingham 3 conducted by GL Hearn, dated 23 July 2013 and 15 November 2013, comment that the buildings appear to be structurally sound with no significant defects suggesting the buildings to be poorly designed or constructed. GL Hearn identified remedial works of £33,000. Knight Frank in the Initial Valuation consider the level of works to be relatively low and that such costs could be met through the annual facilities management budget.

An environmental summary by Delta Simons, dated 14 August 2013, states that the overall risk associated with the site is low.

### *Construction Warranties*

Nottingham 1 & 2:

No construction report was produced when the property was acquired because of the limited information that was provided by the vendors. A deed of assignment was entered into to assign whatever interest the seller had in the construction contracts but no comfort can be given that there is any actual recourse available.

Nottingham 3:

The registered proprietor received the benefit of the suite of construction documentation when it acquired the property pursuant to two deeds of assignment dated 19 December 2013.

Following preliminary solvency checks being carried out on all of the relevant parties, it was found that a number were in administration, liquidation or had been removed from the register of companies. These included the main contractor, as well as consultants and sub-contractors (together the "**Insolvent Companies**").

It is believed that no other party took on the obligations of the Insolvent Companies and no further parent company guarantee was provided. Therefore the registered proprietor will not have any recourse under these in the event of a claim.

It is not known whether professional insurance cover is currently in place for the Insolvent Companies.

### *Assured Shorthold Tenancies*

All of the rooms at Nottingham 1, 2 and 3 are let to individual occupiers on the terms of standard form AST granted under the Housing Act 1996, in line with standard practice.

The agreements are primarily for a term of 44 or 51 weeks. Rent is either paid one full year in advance or in instalments (in which case a guarantor of the tenant's obligations is also required).

### *Key Investment Considerations*

The Nottingham Borrower's investment in the Nottingham 1, 2 and 3 asset was influenced by the following considerations:

- (a) Modern asset, with Nottingham 1 & 2 constructed in 2009 and Nottingham 3 constructed in 2011.

- (b) Close proximity to the Jubilee Campus of the University of Nottingham, ranked 23<sup>rd</sup> in the 2014 Sunday Times Good University Guide.
- (c) Ratio of the Higher Education population to purpose built student accommodation.
- (d) 100% historic occupancy in 2011/12 and 2012/13 with 93.8% occupancy in 2013/14 (the year of the Opal administration).
- (e) Higher comparable growth in international student numbers. As per the Initial Valuation, over the last ten years international student numbers in Nottingham have grown by 79% over the last ten years, compared with a growth of 55% across the UK over the same period.

### ***Trinity Square***



		<i>Trinity Square</i>
<b>Address</b>		North and South Block, Trinity Square, Nottingham NG1 4AF
<b>Higher Education Establishment</b>		Nottingham Trent University and University of Nottingham
<b>Location</b>		City centre location. 0.2 miles from Nottingham Trent University City Campus
<b>Year Built</b>		2008
<b>Number of Rooms</b>		699
<b>Accommodation Type</b>		586 En-Suites and 37 En-Suite Plus beds situated as Three, Four and Five bed clusters 76 Studios
<b>En Suite Room %</b>		100%
<b>Higher Education Population</b>		53,610
<b>Students in Purpose Built Accommodation</b>		13,648 in University Halls 5,840 in Private PBSA
<b>Students : Purpose Built Accommodation Ratio</b>		2.75 : 1
<b>Nominations Agreement</b>		None
<b>Commercial Income</b>		None

## *Tenure*

South and North Blocks Trinity Square are leasehold.

## *Matters affecting the Property*

In particular, with respect to South and North Blocks, Trinity Square, Nottingham:

- (a) The term of the lease is for 125 years expiring on 23 June 2133 but the original landlord has a break right in 2068 subject to paying 110% of the open market value.
- (b) The demise does not extend to the structure of the building and structural and external alterations are prohibited. Plant and equipment and lifts within the Property exclusively serving it are included.
- (c) The property can be used as student accommodation only.
- (d) There is no right for the landlord to forfeit on insolvency. There is a right of forfeiture for non-payment of rent (i.e. service charge) and other breach of covenant. The Lease contains mortgagee step in rights, so that the landlord must notify a mortgagee (who has notified the landlord of its name and address) if it intends to forfeit and allow the mortgagee a reasonable time to remedy the breach.
- (e) As tenant, the registered proprietor is liable to pay a fair and reasonable proportion (which is uncapped) of the landlord's annual expenditure on specified items (service charge is not charged as a separate rent to the student occupiers). For the year ending 30 June 2014 the estimated service charge at the time the Initial Valuation was produced was £22,777.05 for the South Block and £61,540 for the North Block. The list of services is wide and subject to a sweeper allowing the landlord to provide for other services (acting reasonably). The usual exclusions are made including the remedying inherent defects but only to the extent that the landlord is able to recover such costs from the professional team.
- (f) The landlord insures the Property at the tenant's cost in the usual way but there are no rights for either party to terminate the Lease following damage by an insured risk (which includes all standard risks other than landslip, subsidence and heave). The landlord must use all reasonable endeavours to procure co-insurance with the tenant (but not the tenant's mortgagee) but the landlord agrees to use reasonable endeavours to obtain a waiver of subrogation rights from the insurer and (where it has not been able to obtain co-insurance) to note the Tenant's and its mortgagee's interest.
- (g) There is no obligation for a landlord to reinstate the Property following damage caused by an uninsured risk. Within one year of damage, the landlord may elect to reinstate (or redevelop) or terminate the Lease. If the landlord elects to reinstate, or makes no election, the tenant can terminate the Lease. If the tenant agrees to reinstatement the tenant must pay a proportion (based on relative open market value of the landlord's and tenant's interests) of the reinstatement cost. There are provisions for termination of the Lease by either party if reinstatement is not possible or the tenant is unwilling to meet the costs of reinstatement. If the Lease is terminated, the landlord must pay the tenant the open market value of the tenant's interest, less the sum which the tenant would have to pay towards reinstatement, had the building been reinstated. The lease does not define uninsured risks so it would be risks not covered by the insurance.



- (h) For the North Block, whilst there is a Building Regulations completion certificate for the lower floors, no certificate has been issued for the sixth floor and upwards. An inspection is required before the certificate can be issued and the Borrower has confirmed that an inspection is being organised. The works were completed in 2008 and therefore the local authority would be time barred from taking enforcement action (which has to be taken within six months of the breach being discovered, or within 2 years of completion of the building) other than by way of an injunction but this is rarely used by local authorities.

#### *Building Survey / Environmental*

The Building Survey report for Trinity Square conducted by GL Hearn, dated 27 September 2013, comments that the building appears to be structurally sound with no significant defects suggesting the building to be poorly designed or constructed. GL Hearn identify remedial works of £57,500. Knight Frank in the Initial Valuation consider the level of works to be relatively low and that such costs could be met through the annual facilities management budget.

An environmental summary by Argyll Site Solutions, dated 10 September 2013, states that no significant contaminant has been identified and no action is required with respect to contaminated land liability. The same report states the site is not considered to be at significant risk of flooding.

#### *Construction Warranties*

Those of the collateral warranties which were assignable were assigned by the seller, but no comfort can be given that there is actual recourse available. Some warranting companies are no longer trading. Some warranties were missing.

#### *Assured Shorthold Tenancies*

All of the rooms at the Trinity Square property are let to individual occupiers on the terms of standard form AST granted under the Housing Act 1996, in line with standard practice.

The agreements are for a term of 46 or 51 weeks. Rent is either paid one full year in advance or in instalments (in which case a guarantor of the tenant's obligations is also required).

#### *Key Investment Considerations*

The Trinity Borrower's investment in the Trinity Square asset was influenced by the following considerations:

- (a) Relatively modern asset constructed in 2008.
- (b) City centre location within close proximity of the City Campus of Nottingham Trent University, ranked 61<sup>st</sup> in the 2014 Sunday Times Good University Guide.
- (c) Ratio of the Higher Education population to purpose built student accommodation.
- (d) 100% historic occupancy.
- (e) Higher comparable growth in international student numbers. As per the Initial Valuation, over the last ten years international student numbers in Nottingham have grown by 79% over the last ten years, compared with a growth of 55% across the UK over the same period.

### Sheffield 3



	<i>Sheffield 3</i>
<b>Address</b>	Sheffield 3, Hoyle Street, Sheffield S3 7LG
<b>Higher Education Establishment</b>	University of Sheffield and Sheffield Hallam University
<b>Location</b>	0.5 miles from University of Sheffield campus. 0.9 miles from Sheffield Hallam University City Campus. 0.9 miles from Sheffield City Centre.
<b>Year Built</b>	2009
<b>Number of Rooms</b>	992
<b>Accommodation Type</b>	730 Standard Rooms, 84 Deluxe Rooms, 178 Studio Rooms
<b>En Suite Room %</b>	100%
<b>Higher Education Population</b>	46,890
<b>Students in Purpose Built Accommodation</b>	11,846 in University Halls 5,374 in Private PBSA
<b>Students : Purpose Built Accommodation Ratio</b>	2.72 : 1
<b>Nominations Agreement</b>	401 rooms let on an annual Nominations Agreement for the 2014/2015 academic year with Kaplan International Colleges
<b>Commercial Income</b>	Classrooms leased to University of Sheffield English Language Training Centre generating income of £265,051 per annum.

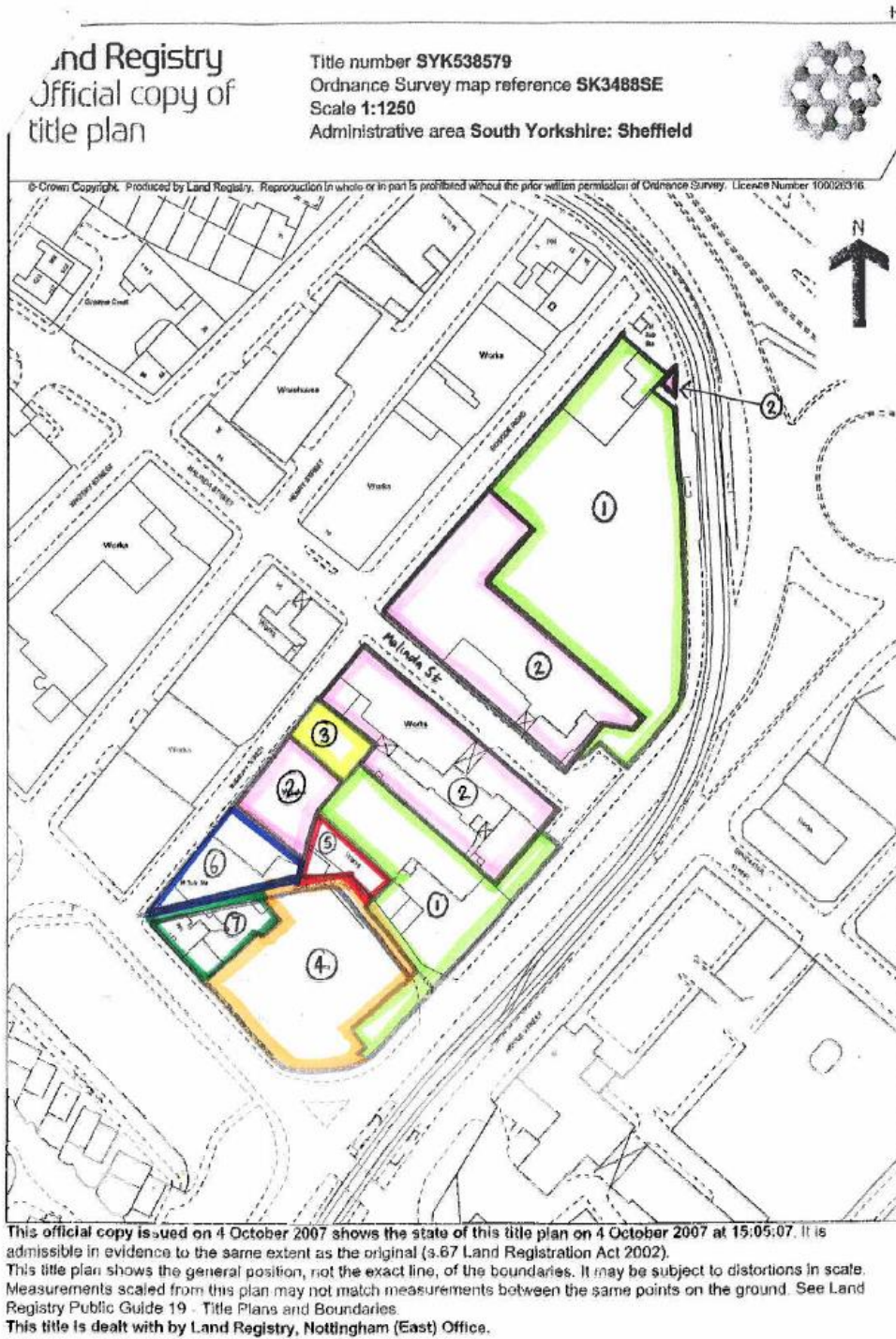
#### *Tenure*

Sheffield 3 is comprised of a mixture of freehold and leasehold titles.

#### *Matters affecting the Property*

In particular, with respect to Sheffield 3:

- (a) Two of the leasehold titles (shown as plot 4 (edged orange) and plot 7 (edged green) on the plan below) are only registered with good leasehold title.
- (b) The leasehold titles consist of:
- (i) a lease dated 2 April 2007 for a term of 125 years from 2 April 2007 which reserves a yearly rent of one peppercorn. This lease can only be forfeited for non-payment of rent or breach of covenant (Plot 1 edged light green);
  - (ii) a lease dated 18 June 1839 for a term of 500 years from 25 March 1839 which reserves a rent of approximately £4.25 and contains covenants to erect and build one or more good and substantial dwelling houses with a value of at least £150. This lease can only be forfeited for non-payment of rent or breach of covenant (Plot 3 edged yellow);
  - (iii) a lease dated 18 May 1827 for a term of 700 years from 25 March 1827, which reserves a yearly rent of £28.75 and contains covenants to build on the demises and keep in good repair a house to the value of at least £1,000. This lease can only be forfeited for non-payment of rent or breach of covenant (Plot 7 edged green);
  - (iv) a lease dated 27 October 1828 for a term of 690 years from 25 March 1828 which reserves a yearly rent of £4.50 and contains covenants to build on the demises and keep in good repair a house to the value of at least £1,000. This lease can only be forfeited for non-payment of rent or breach of covenant (Plot 4 edged orange).



- (a) Part of the Property (previously known as Burnt Tree Lane) is unregistered although the lease demise pursuant to the 125 year lease covers this area. Burnt Tree Lane was previously an adopted highway which was stopped up by a Highways Stopping up Order dated 11 January 2008.
- (b) There are classrooms which are all let to the University of Sheffield under a lease dated 1 February 2010 for a term of 10 years from 2 November 2009. This lease reserves a yearly rent of £252,000, which is subject to an upwards only rent review to open market rent less 10% on 2 November 2014, together with a yearly fit-out cost rent of £13,051. The University is permitted to use the classrooms as classrooms with ancillary offices.

- (c) Part of the Property was previously occupied by Cost Cutter and is now occupied by the University of Sheffield. A lease is currently being negotiated with the University which will let the space for a peppercorn rent for a term co-terminus with their existing classrooms lease which is due to expire on 1 November 2019.
- (d) There are outstanding highways works which are preventing the full adoption of the public highway surrounding the Property. Whilst the works are bonded by an insurance policy for up to £57,000, the contractor is in administration and so it is not clear when these works will be completed or the highway fully adopted.
- (e) The accommodation office at the Property incorporates a brise soleil which overhangs the public highway, for which a s177 licence is required, but none is in place and a licence is not being pursued.

#### *Building Survey / Environmental Assessment*

A pre-purchase report for Sheffield 3 comments that the building appears to be structurally sound with no significant defects suggesting the building to be poorly designed or constructed. The report identifies remedial works of £38,000. Knight Frank in the Initial Valuation consider the level of works to be relatively low and that such costs could be met through the annual facilities management budget.

An environmental assessment by Delta Simons dated 12 August 2013 states that the overall risk associated with potential soil and groundwater contamination issues at the site is low.

#### *Construction Warranties*

No construction report was produced when the property was acquired because of the limited information that was provided by the vendors. A deed of assignment was entered into to assign whatever interest the seller had in the construction contracts but no comfort can be given that there is any actual recourse available.

#### *Assured Shorthold Tenancies*

The majority of the rooms at the Sheffield 3 property are let to individual occupiers on the terms of standard form AST granted under the Housing Act 1996, in line with standard practice.

The agreements are primarily for a term of 43 or 51 weeks. Rent is either paid one full year in advance or in instalments (in which case a guarantor of the tenant's obligations is also required).

In addition, in the academic year 2014/15, 401 rooms are to be let under a Nominations Agreement to Kaplan US Limited, acting on the behalf of Sheffield International College for a term of 32, 38 and 49 week tenancies. For the 32 week contracts, ASTs are actively put in place for the remaining period of the academic year.

#### *Key Investment Considerations*

The Sheffield Borrower's investment in the Sheffield 3 asset was influenced by the following considerations:

- (a) Relatively modern asset constructed in 2009.
- (b) Close proximity of the campus of the University of Sheffield, ranked 18<sup>th</sup> in the 2014 Sunday Times Good University Guide.

- (c) Location of the University of Sheffield English Language Training Centre within the site.
- (d) Ratio of the Higher Education population to purpose built student accommodation.
- (e) 100% historic occupancy.
- (f) Higher comparable growth in international student numbers. As per the Initial Valuation, over the last ten years international student numbers in Sheffield have grown by 97% over the last ten years, compared with a growth of 55% across the UK over the same period.

### ***Discharge of Planning Conditions***

There are one or more planning conditions that have not been formally discharged by the local planning authority (“**LPA**”) in respect of each of the Properties. In particular for Nottingham 1, 2 and 3 and for Sheffield 3 there is no written evidence available that the LPA has confirmed satisfaction or discharge of a number of conditions. In all cases the relevant Borrower’s planning consultants, GL Hearn, have advised that the planning risk is low. This assessment is based on their analysis including conversations with the local planning authority officers, site inspections, and their assessment that any issue could be dealt with retrospectively. Whilst the various local planning authorities appear comfortable with the developments at the moment, based on the relevant Borrower’s planning consultants’ discussions with them, those views could change and local planning authorities are not bound by views previously expressed either orally or in writing.

The conditions that may be outstanding or undischarged are either:

- (a) requirements for details to be submitted to and approved by the local planning authority and works carried out in accordance with the approved details (Type A); or
- (b) requirements for details to be submitted to and approved by the local planning authority (Type B); or
- (c) requirements for works to be carried out (Type C).

The relevant Borrower advises that all works are either complete or approaching completion; management/servicing is in place where conditions requires such schemes to be approved, or works to be retained/maintained; and an additional noise survey is being carried out at Nottingham 1, 2 and 3 to confirm compliance with noise standards.

The relevant Borrower’s quantity surveyor has analysed the Type A and C conditions and assessed those conditions which require works to be carried out for there to be strict compliance. Putting aside those costs that would form part of the planned preventative maintenance budget in their opinion the most costly item is in the region of £54,000, relating to a potential sound insulation scheme for 27 units at Nottingham 1, 2 and 3. The relevant Borrower has confirmed that these 27 units are the same specification as other units within the property which have already been assessed as attaining the required sound insulation levels.

The relevant Borrower’s planning consultants have confirmed that no enforcement proceedings have been commenced or notices served, nor have any such proceedings or notices been proposed in respect of any of the properties. The relevant Borrower’s planning consultants have provided the Issuer and Issuer Security Trustee with reliance on their planning risk assessments up to a level of £10mn. The Borrower’s planning consultants

indemnity cover is backed by an insurance policy from Royal & Sun Alliance Insurance plc (rated A by S&P).

## THE LOAN AND THE LOAN SECURITY

The following section describes the material terms of the Finance Documents. The section does not purport to be complete and is subject to the terms of the Finance Documents.

### Finance Documents

The principal documentation entered into by the Obligors in relation to the Loan (the "**Finance Documents**") comprises:

- (a) the facility agreement entered into on or about the Closing Date between the Borrowers, the Issuer and Elavon Financial Services Limited, UK Branch as agent (the "**Borrower Facility Agent**") and U.S. Bank Trustees Limited as security agent (the "**Borrower Security Trustee**") (the "**Borrower Facility Agreement**") as described in more detail in the section entitled "*The Loan and the Loan Security - Borrower Facility Agreement*" on page 140);
- (b) the security deed entered into on or about the Closing Date between the Borrowers, the Management Companies and the Borrower Security Trustee (the "**Borrower Security Trust Deed**") as described in more detail in the section entitled "*The Loan and the Loan Security – Borrower Security Trust Deed*" on page 197;
- (c) the account pledge agreement entered into on or about the Closing Date between the Borrowers and the Borrower Security Trustee and governed by Luxembourg law (the "**Account Pledge Agreement**") as described in more detail in the section entitled "*The Loan and the Loan Security - Account Pledge Agreement*" on page 198;
- (d) the share pledge agreement entered into on or about the Closing Date between GL Europe RE1 Bondco Holdings S.à.r.l. and the Borrower Security Trustee and governed by Luxembourg law (the "**Share Pledge Agreement**") as described in more detail in the section entitled "*The Loan and the Loan Security - Share Pledge Agreement*" on page 198, together with the Borrower Security Trust Deed and the Account Pledge Agreement, the "**Security Documents**";
- (e) the subordination deed entered into on or about the Closing Date between the Borrowers, GL Europe RE1 Holdings S.à.r.l., the Issuer and the Borrower Facility Agent (the "**Subordination Deed**") as described in more detail in the section entitled "*The Loan and the Loan Security - Subordination Deed*" on page 198; and
- (f) (i) the duty of care letter entered into on or about the Closing Date between U.S. Bank Trustees Limited, GL Europe Trinity Square UK Limited and Derwent Facilities Management Limited (as the "**Derwent Facilities Manager**") (the "**Derwent – Trinity Duty of Care Letter**") in relation to an accommodation management and facilities management agreement between GL Europe Trinity Square UK Limited and the Derwent Facility Manager dated 30<sup>th</sup> October 2013 (the "**Derwent – Trinity Facilities Management Agreement**"); (ii) the duty of care letter entered into on or about the Closing Date between U.S. Bank Trustees Limited, GL Europe Summit UK Limited and Student Union Lettings Limited (the "**Sulets Facilities Manager**") (the "**Sulets – Summit Duty of Care Letter**") in relation to a management agreement between GL Europe Summit UK Limited and the Sulets Facilities Manager dated 25<sup>th</sup> April 2014 (the "**Sulets – Summit Management Agreement**"); (iii) the duty of care letter entered into on or about the Closing Date between U.S. Bank Trustees Limited, GL Europe Summit UK Limited and the Derwent Facilities Manager (the "**Derwent – Summit Duty of**



**Care Letter**") in relation to an accommodation management and facilities management agreement between GL Europe Summit UK Limited and Derwent dated 25<sup>th</sup> April 2014 (the "**Derwent – Summit Facilities Management Agreement**"); (iv) the duty of care letter entered into on or about the Closing Date between U.S. Bank Trustees Limited, GL Europe South Yorkshire UK Limited and the Derwent Facilities Manager (the "**Derwent – South Yorkshire Duty of Care Letter**") in relation to an accommodation management and facilities management agreement between GL Europe South Yorkshire UK Limited and the Derwent Facilities Manager dated 4<sup>th</sup> October 2013 (the "**Derwent – South Yorkshire Facilities Management Agreement**"); and (v) the duty of care letter between U.S. Bank Trustees Limited, GL Europe Nottingham UK Limited and the Derwent Facilities Manager (the "**Derwent – Nottingham Duty of Care Letter**") in relation to an accommodation management and facilities management agreement between GL Europe Nottingham UK Limited and the Derwent Facilities Manager dated 4<sup>th</sup> October 2013 as amended by an amendment agreement dated 19<sup>th</sup> December 2013 (the "**Derwent – Nottingham Facilities Management Agreement**") (each of the Derwent – Trinity Duty of Care Letter, the Sulets – Summit Duty of Care Letter, the Derwent – Summit Duty of Care Letter, the Derwent – South Yorkshire Duty of Care Letter and the Derwent – Nottingham Duty of Care Letter, a "**Duty of Care Letter**", and together the "**Duty of Care Letters**", and each of the Derwent – Trinity Facilities Management Agreement, the Sulets – Summit Facilities Management Agreement, the Derwent – Summit Facilities Management Agreement, the Derwent – South Yorkshire Facilities Management Agreement and the Derwent – Nottingham Facilities Management Agreement, each a "**Facilities Management Agreement**") as described in more detail in the section entitled "*The Loan and the Loan Security – Duty of Care Letters*" on page 198.

The Borrower Facility Agent, the Borrower Security Trustee and the Issuer together comprise the "**Finance Parties**".

## **Borrower Facility Agreement**

The Borrower Facility Agreement will be entered into on or about the Closing Date between the Borrowers, the Management Companies, the Issuer, the Borrower Facility Agent and the Borrower Security Trustee. The Borrower Facility Agreement is governed by English law.

In addition to the existing Borrowers, the Borrowers' Agent may, at any time, request that any entity becomes an additional Borrower (an "**Acceding Borrower**") subject to the Issuer and other parties completing all necessary "know your client" or similar checks in relation to such Acceding Borrower and the Acceding Borrower (and other parties hereto) executing an accession deed (in a form reasonably acceptable to the Agent) pursuant to which the Acceding Borrower agrees to be bound by all obligations of a borrower under the Borrower Facility Agreement.

### *Definitions*

**"Accounts"** or **"Obligor Accounts"** means the Borrower Accounts and the Management Company Accounts.

**"Account Bank"** means the bank or banks at which each of the Obligor Accounts are held.

**"Actual Cashflow"** means, as at any date, for the amount determined on the basis of the then most recent Management Report which is equal to the consolidated gross cash inflow (excluding all proceeds from the disposal of a Property or Properties and all insurance proceeds (other than loss of rent insurance) from owning and operating activities of the Obligors in respect of the Properties (including, without limitation, Rental Income) less (without double counting) the consolidated gross cash outflow in respect of:

- (a) Operating Costs (excluding recoverable VAT);
- (b) the Approved Capital Expenditure Amount;
- (c) the fees payable to the Facility Managers pursuant to the Facility Management Agreement;
- (d) any costs of rectifying or reinstating a Property to which such insurance proceeds apply;
- (e) any costs associated with the realisation of any proceeds of a compulsory purchase of a Property; and
- (f) for the purposes of the calculation of Historical Interest Cover in respect of the first Test Date only, the amount credited to the Seasonality Ledger at the relevant time.

**"Agreement for Lease"** means an agreement to grant an Occupational Lease for all or part of a Property.

**"Allocated Loan Amount"** means with respect to a Property, initially the amount set out with respect to such Property and thereafter, for the purposes of the most recent Valuation, the amount as calculated in accordance with the terms of the Borrower Facility Agreement.

**"Annual Budget"** means:

- (a) in respect of the period from the Closing Date to and including 28<sup>th</sup> September 2015, the Business Plan; and

- (b) in respect of each financial year from and including the financial year commencing on 29<sup>th</sup> September 2015, the budget delivered by the Obligors in accordance with terms of the Borrower Facility Agreement.

**“Approved Capital Expenditure Amount”** means the aggregate amounts projected to be withdrawn from the Sinking Fund Accounts for each relevant calculation period by or on behalf of any Obligor (other than the Borrowers) in respect of capital expenditure on the Properties to be funded from amounts standing to the credit of the Sinking Fund Accounts as set out in the Quarterly Management Report for the previous Test Period and determined in accordance with good industry practice.

**“Authorisation”** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**“Borrowers’ Agent”** means GL Europe RE1 Bondco Holdings S.à.r.l..

**“Break Costs”** means the amount (if any) by which:

- (a) the interest which a Lender would have received for the period from the date of receipt of all or any part of its participation in a loan or Unpaid Sum to the last day of the current Interest Period in respect of such loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period,

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

**“Business Plan”** means a business plan in a form agreed between the Arranger and the Obligors.

**“Commitment”** means the commitment of any lender under the Borrower Facility Agreement, to the extent not cancelled, reduced or transferred by it under the terms of that agreement.

**“Compensation Prepayment Proceeds”** means the proceeds of all compensation and damages for the compulsory purchase of, or any blight or disturbance affecting, any Property.

**“Compliance Certificate”** means a compliance certificate to be provided in accordance with the terms of the Borrower Facility Agreement.

**“Default”** means an Event of Default or any event or circumstance specified which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default under the Borrower Facility Agreement.

**“Derwent Client Accounts”** means the accounts held by Derwent for funds allocated to the clients.

**“Disposal Proceeds”** means the net disposal proceeds received from the disposal of a Property or the shares in a Borrower in accordance with the terms of the Borrower Facility Agreement.

**"Disposal Reserve Amount"** means following a prepayment of the Loan as a result of a disposal of a Property or shares in an Obligor in accordance with the Borrower Facility Agreement:

$$A \times (B / C)$$

Where:

**A** is the balance of the Interest Reserve Account the day before the relevant disposal.

**B** is the Allocated Loan Amount of the disposed Property (or the Property owned (directly or indirectly) by the Obligor whose shares are disposed)

**C** is the total amount outstanding of the Loan on the date immediately prior to the prepayment arising from the relevant disposal.

**"Disruption Event"** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that, or any other party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

**"Eligible Account Bank"** means a bank with a minimum short term credit rating from S&P of A-2 and a minimum long term credit rating of BBB+ from S&P and approved by the Borrower Facility Agent.

**"Environmental Claim"** means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

**"Environmental Law"** means any applicable law or regulation which relates to:

- (a) the pollution or protection of the environment;
- (b) the conditions of the workplace; or
- (c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the environment, including, without limitation, any waste.

**"Environmental Permits"** means any permit and other Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of

the business of any Obligor conducted on or from the properties owned or used by any Obligor.

**"Excluded Insurance Proceeds"** means any proceeds from an Insurance Claim which the Borrowers' Agent notifies the Borrower Facility Agent are, or are to be, applied:

- (a) to satisfy (or reimburse an Obligor which has discharged) any liability, charge or claim upon an Obligor by a person which is not an Obligor or an affiliate of an Obligor; or
- (b) in the replacement, reinstatement and/or repair of assets of an Obligor which have been lost, destroyed or damaged,

in each case as a result of the events or circumstances giving rise to that Insurance Claim if those proceeds are so applied as soon as possible (but in any event within 3 years, provided that a detailed plan for re-instatement has been provided within one year and any re-instatement will be completed one month prior to the beginning of the academic year in which the loss of rent insurance has been exhausted) after receipt.

**"Excluded Recovery Proceeds"** means any proceeds of a Recovery Claim which the Borrowers' Agent notifies the Borrower Facility Agent are, or are to be, applied:

- (a) to satisfy (or reimburse an Obligor which has discharged) any liability, charge or claim upon an Obligor by a person which is not an Obligor or an affiliate of an Obligor; or
- (b) in the replacement, reinstatement and/or repair of assets of an Obligor which have been lost, destroyed or damaged,

in each case as a result of the events or circumstances giving rise to that Recovery Claim, if those proceeds are so applied as soon as possible (but in any event within 90 days, or such longer period as the Majority Lenders may agree) after receipt.

**"Extended Termination Date"** means two calendar years after the Original Termination Date.

**"Extension Conditions"** means the following conditions: (a) evidence that any other fees, and the costs and expenses then due from the Borrowers' Agent pursuant to the terms of the Borrower Facility Agreement have been paid; and (b) a copy of any other authorisation or other document, opinion or assurance which the Borrower Facility Agent considers to be necessary or desirable (if it has notified the Borrowers' Agent accordingly) in connection with the proposed extension of the term of the Borrower Facility Agreement; and (c) the entry into a cap agreement with a strike rate of no higher than 3.75% and (d) evidence that each Intra-Obligor Lease has been extended, on the same terms, by an additional two years; and (e) evidence that the Interest Reserve Amount has been increased to cover the increase in the Margin to the Step-up Margin and (f) no Default and no Cash Trap Trigger has occurred and is continuing as at the relevant date.

**"Facility"** means the term loan facility made available under the Borrower Facility Agreement.

**"Facility Manager"** means a facility manager appointed in respect of a Property in accordance with the terms of the Borrower Facility Agreement.

**"Financial Indebtedness"** means any indebtedness for or in respect of:

- (a) monies borrowed;

- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraph (a) to paragraph (h) above.

**"Finance Document"** means the Borrower Facility Agreement, any Security Document, any Subordination Agreement, any Duty of Care Agreement, any Fee Letter, any Resignation Letter or any other document designated as such by the Borrower Facility Agent and the Borrowers' Agent.

**"GAAP"** means generally accepted accounting principles in England (in the case of the Management Companies) and Luxembourg (in the case of the Borrowers) including IFRS.

**"Historical Interest Cover"** means, as at any date, Actual Cashflow as a percentage of finance costs at that date. For the purposes of this definition:

- (a) **"calculation period"** means in relation to a particular Test Date, the period of 12 months up to and including such Test Date provided that in relation to the first three Test Dates after the date hereof, the calculation periods shall be 3 months, 6 months and 9 months, respectively, up to and including such Test Dates;
- (b) **"finance costs"** means the aggregate amount of interest paid or due and payable to the Finance Parties, including any fees or commissions due and payable under the Borrower Facility Agreement during any calculation period in respect of which Actual Cashflow has been calculated;
- (c) the Borrowers' Agent shall, at the request of the Borrower Facility Agent (acting on the instructions of the Majority Lenders), calculate Historical Interest Cover but if the Borrowers' Agent does not provide a calculation when requested by the Borrower Facility Agent or the Majority Lenders disagree with the calculation and have notified the Borrower's Agent of such disagreement or where the Borrower Facility Agent (acting reasonably and on the instructions of the Majority Lenders) has reason to believe that any calculation is inaccurate or misleading and have granted the Borrower's Agent a sufficient period to re-calculate such Historical Interest Cover, then the Majority Lenders may calculate Historical Interest Cover

and that calculation of the Majority Lenders shall prevail over any calculation by the Borrowers.

**"Insurance Prepayment Proceeds"** means any proceeds of insurances required to be paid into the Deposit Account in accordance with the terms of the Borrower Facility Agreement.

**"Interest Cover"** means , at any time, the lower of the Historical Interest Cover and the Projected Interest Cover determined as at the relevant time.

**"Intra-Obligor Leases"** means, in each case, the lease between the Nottingham Borrower and the Nottingham Management Company, the lease between the Trinity Square Borrower and the Trinity Square Management Company, the lease between the Sheffield Borrower and the Sheffield Management Company and the lease between the Summit Borrower and the Summit Management Company.

**"Lease Document"** means:

- (a) licence to occupy;
- (b) an Agreement for Lease;
- (c) an Occupational Lease;
- (d) Student Leases; or
- (e) any other document designated as such by the Borrower Facility Agent and the Borrowers' Agent.

**"Lease Prepayment Proceeds"** means any premium or other amount paid to a Obligor in respect of any agreement to amend, supplement, extend, waive, surrender or release a Lease Document.

**"Legal Reservations"** means each and all the following reservations that:

- (a) equitable remedies may be granted or refused at the discretion of the court;
- (b) laws relating to insolvency, bankruptcy, administration, receivership, reorganisation, liquidation or analogous proceedings may affect the binding nature of contractual obligations including, without limitation, bankruptcy (*faillite*), controlled management (*gestion contrôlée*), suspension of payments (*sursis de paiement*), arrangement with creditors (*concordat préventif de la faillite*), judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*) proceedings or any other proceedings affecting the rights of creditors generally;
- (c) some circumstances an English court may not give effect to those sections of the Finance Documents which would provide that in the event of any illegality, invalidity or unenforceability of any provision of any such document the remaining provisions thereof shall not be affected or impaired, in particular if to do so would not accord with public policy or would involve the court in making a new contract for the parties;
- (d) there is time barring of claims under the Limitation Act 1980, or other similar applicable laws;
- (e) there is the possibility that an undertaking to assume liability for or to indemnify against non-payment of United Kingdom stamp duty land tax may be void;

- (f) there may be defences of set-off or counterclaim (provided that nothing in this definition purports to grant to the relevant person any such right and is without prejudice to any restriction contained in the Finance Documents) and similar principles, rights and defences under the laws of any foreign jurisdiction in which relevant obligations may have to be performed;
- (g) due presentation for registration of each Security Document creating registrable security in accordance with the Companies Act 2006 where applicable or any other applicable legislation;
- (h) charges expressed to be a fixed charge may only operate so as to give effect to a floating charge;
- (i) any payment made in compensation for a breach of the Finance Documents may be a penalty and may not be enforceable in whole or part;
- (j) apart from claims for the payment of debts (including the repayment of loans), contractual obligations are normally enforced by an award of damages for the loss suffered as a result of a breach of contract; and recoverable loss is restricted by principles such as causation, remoteness and mitigation;
- (k) an English court may not award full reimbursement under any indemnity contained in the Finance Documents;
- (l) any security created under English Law in relation to any Luxembourg situs assets may not be legal valid binding and enforceable;
- (m) the interpretation of the meaning and legal effect of any particular provision of a contract is a matter of judgment, which will ultimately be determined by the English courts; and
- (n) any other matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinions supplied to the Borrower Facility Agent as a condition precedent under the Borrower Facility Agreement on or before the Closing Date.

**“Lender”** means:

- (a) the Issuer; and
- (b) any other person which has become a lender in accordance with the terms of the Borrower Facility Agreement,

which in each case has not ceased to be a party in accordance with the terms of Borrower Facility Agreement.

**“Loan to Value”** means, at any time, the outstanding Loan less any amounts standing to the credit of the Issuer Interest Reserve Account, the Cash Trap Account and the Cure Account as a percentage of the aggregate market value of the Properties (determined in accordance with the most recent Valuation of the Properties at that time).

**“Maintenance Costs”** means any costs incurred by an Obligor in relation to the day-to-day maintenance, repair and decoration of the Properties or any capital expenditure other than the Approved Capital Expenditure Amount.



**“Majority Lenders”** means a lender or lenders whose commitments aggregate more than 66<sup>2</sup>/<sub>3</sub>% of the Total Commitments or, if the Total Commitments have been reduced to zero, aggregated more than 66<sup>2</sup>/<sub>3</sub>% of the Total Commitments immediately prior to the reduction.

**“Material Adverse Effect”** means in the opinion of the Lender (acting reasonably) a material adverse effect on:

- (a) the business, operations, property or financial condition (other than any effect on value or income) of the Obligors; or
- (b) the ability of the Obligors (taken as a whole) to perform its payment or other material obligations under the Finance Documents; or
- (c) subject to the Legal Reservations the validity or enforceability of, or the effectiveness or ranking of any security granted or purported to be granted pursuant to any of, the Finance Documents.

**“Occupational Lease”** means other than Student Leases, any leases and/or agreement for lease and/or any lease or licence or other occupational interest, other than any Intra-Obligor Lease, including any guarantee and rent deposit arrangements entered into under the terms of them.

**“Operating Costs”** means, for any Test Date and the applicable calculation period, the following costs and expenses incurred (or, in respect of any projected costs or expenses, expected to be incurred) by or on behalf of any Obligor in its ordinary course of business in respect of the Properties (without any double counting) and as confirmed in the most recent Quarterly Management Report:

- (a) operating costs and expenses in relation to the Properties (including, without limitation, amounts payable in respect of the day to day upkeep and operation of the Properties, insurance premiums, uniform business rates and council taxes, the cost of acquiring or maintaining any authorisations or consent, the provision of facilities services, utilities costs, staff costs) or by way of administration costs in relation to any Obligor (including VAT chargeable on such costs and expenses);
- (b) any Maintenance Costs (other than the Approved Capital Expenditure Amount); and
- (c) any Operating Expenses,

excluding:

- i) taxes (except for VAT chargeable on such costs and expenses); and
- ii) depreciation, other non-cash charges, reserves, amortisation of intangibles and similar accounting entries.

**“Period End Date”** means each date listed as such in the Borrower Facility Agreement.

**“Period Start Date”** means each date listed as such in the Borrower Facility Agreement.

**“Permitted Indebtedness”** means Financial Indebtedness:

- (a) under or permitted by the Finance Documents;
- (b) that arises as a normal trade credit in the ordinary course of the relevant person’s business and which is not more than 60 days overdue;

- (c) incurred pursuant to loans between Obligor;
- (d) incurred by each Obligor in the ordinary course of business;
- (e) incurred pursuant to the Transaction Documents;
- (f) or is incurred during the ordinary course of business in accordance with the prudent industry practice.
- (g) Financial Indebtedness ("**New Financial Indebtedness**") incurred by any entity that becomes an additional obligor pursuant to the terms of the Borrower Facility Agreement in relation to the acquisition or refinancing of a new property or properties (the "**New Property**") in respect of which the lender is the Lender and the New Property secures, on terms reasonably satisfactory to the Borrower Security Trustee acting on the instructions of the Majority Lenders, obligations in respect of the New Financial Indebtedness and in relation to which each of the following conditions is satisfied (as certified by the Borrowers' Agent to the reasonable satisfaction of the Borrower Security Trustee acting on the instructions of the Majority Lenders and such certification being addressed to the Borrower Security Trustee and the Issuer):
  - (i) occupancy of each New Property must be at least 90% for the prior academic year or there must be evidence of bookings of 90% occupancy for the forthcoming academic year;
  - (ii) at least 85% of the rooms in the New Property must be en-suite;
  - (iii) no more than 50% of the rooms within the Aggregate New Portfolio can be concentrated in one city or town;
  - (iv) the New Property must be in a city or town with at least 15,000 higher education students provided that no more than 20% of the Aggregate New Portfolio by value can be in a city or town without a UK top 50 ranked higher education institution and no more than 5% of the Aggregate New Portfolio by value can be in a city or town without a UK top 75 ranked higher education institution (as ranked by the Sunday Times Good University Guide, or if that is no longer published then the Complete University Guide and if that is no longer published then a ranking guide to be agreed with the Borrower Facility Agent);
  - (v) if the New Property is in a city or town in which no Property is currently situated, then at the time of the acquisition/refinancing of the New Property that new city or town must have a minimum of 300 student accommodation beds;
  - (vi) the Loan to Value in relation to the New Property, must not, in each case, exceed 60% (for the avoidance of doubt, no further indebtedness is permitted in respect of any existing Property);
  - (vii) either: (A) the Interest Cover calculated as if the New Financial Indebtedness had been incurred and the New Property was part of the Properties must not drop below 2.5x; or (B) if at the time of incurring the New Financial Indebtedness, the Interest Cover is in the range of 2.0-2.5, the New Property must be accretive to Interest Cover;
  - (viii) the Obligor has put in place appropriate hedging in the form of a cap (to hedge the Obligor's payment obligations in respect of the New Financial

Indebtedness) the terms of which include a notional amount equal to the principal amount of the New Financial Indebtedness and a LIBOR cap rate of no greater than 3.75%;

- (ix) confirmation must be received that the prevailing rating of the Notes will not be adversely affected by the incurring of the New Financial Indebtedness;
- (x) the acquisition of the New Property must be made in the ordinary course of business of the purchaser on an arm's length basis;
- (xi) no Loan Event of Default has occurred and is continuing or would result from the incurring of the New Financial Indebtedness;
- (xii) the primary use of New Property is student accommodation;
- (xiii) the New Property is held on a freehold or long leasehold (on standard market terms, namely including an unexpired lease term of more than 75 years and with a peppercorn/nominal rent) basis;
- (xiv) the New Financial Indebtedness shall be in a principal amount of not less than £5,000,000;
- (xv) the Obligors shall have deposited an amount equal to six (6) months of interest on the New Financial Indebtedness into the Interest Reserve Account;
- (xvi) the New Financial Indebtedness shall be fully cross-collateralised and cross-defaulting with the existing Loan.

**"Permitted Payment"** means a payment by an Obligor to GL Europe RE1 Bondco Holdings S.à.r.l.. out of moneys standing to the credit of the General Account in circumstances where no Default is continuing and no Default would result from the payment (for the avoidance of doubt, payments between Obligors out of the proceeds of the Notes shall be permitted).

**"Projected Cashflow"** means the relevant Management Company's reasonable estimate of the consolidated gross cash inflow (excluding all proceeds from the disposal of a Property or Properties and all insurance proceeds (other than loss of rent insurance)) from the owning and operating activities of the Obligors in respect of the Properties (including, without limitation, Rental Income and any payments to be received by any Obligor under any nomination agreement), less (without double counting) in each case its reasonable estimate of:

- (a) Operating Costs (excluding recoverable VAT);
- (b) the Approved Capital Expenditure Amount;
- (c) the fees payable to the Facility Managers under the relevant facility management agreements;
- (d) any costs of rectifying or reinstating a Property to which such insurance proceeds apply; and
- (e) any costs associated with the realisation of any proceeds of a compulsory purchase of a Property.

**“Projected Finance Costs”** means, on each relevant Test Date in respect of the relevant projected test period commencing on (but excluding) such Test Date, on the assumption that LIBOR during the relevant calculation period will be the lower of the applicable Cap Rate and the forward curve loan LIBOR rate for the relevant calculation period, the aggregate of all interest and recurring fees and commissions which, in the reasonable opinion of the Borrowers, will be payable by the Obligors to the secured creditors under the Finance Documents.

**“Projected Interest Cover”** means, as at any date, Projected Cashflow as a percentage of finance costs at that date. For the purposes of this definition:

- (a) **“calculation period”** means in relation to a particular Test Date, the period of 12 months starting immediately after such Test Date;
- (b) **“finance costs”** means the Projected Finance Costs;
- (c) in calculating Projected Cashflow, reference shall be made to the most recent Management Report including the following assumptions:
  - (i) a break clause in any Lease Documents (being an occupational lease to which an Obligor’s interest in a Property may be subject from time to time) will be deemed to be exercised at the earliest date available to the relevant tenant or counterparty and assuming that the relevant part of the Property the subject of that Lease Document will be re-let (from the date such break takes effect) to the relevant Management Company’s reasonable and prudent estimation of the projected occupancy level attained over the previous 12 month period and at a rent at least equal to the then market rent. For the purposes of establishing the market rent to be used in this assumption, the relevant Management Company shall use what, in its reasonable opinion, constitutes market rent; and
  - (ii) to the extent binding and unconditional Lease Documents have not been entered into, the relevant Management Company may take into account its reasonable and prudent estimation of projected occupancy level.
- (d) the Borrowers’ Agent shall, at the request of the Agent, calculate Projected Interest Cover but if the Borrowers’ Agent does not provide a calculation when requested by the Agent or the Majority Lenders disagree with the calculation, or where the Agent (acting reasonably on the instructions of the Majority Lenders) has reason to believe that any calculation is inaccurate or misleading, provided then the Majority Lenders may calculate Projected Interest Cover and that calculation of the Majority Lender shall prevail over any calculation of the Borrowers. For the avoidance of doubt, such calculation shall in each case reference the Cap Agreement.

**“Property Adviser Cash Trap Trigger”** means the Interest Cover on a relevant Test Date is less than 175%.

**“Property Report”** means, in respect of any Property, any certificate of or report on title supplied to the Borrower Facility Agent as a condition precedent under the Borrower Facility Agreement on or before the Closing Date.

**“Qualifying Lender”** means:

- (a) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:
  - (i) a Lender:
    - (A) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the ITA; or
    - (B) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
  - (ii) a Lender which is:
    - (A) a company resident in the United Kingdom for United Kingdom tax purposes;
    - (B) a partnership each member of which is:
      - (1) a company so resident in the United Kingdom; or
      - (2) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA;
    - (C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or
- (b) a Lender which is a building society (as defined for the purpose of section 880 of the ITA) making an advance under a Finance Document.

**"Quarter Date"** means each Period Start Date.

**"Quarterly Management Report"** means the quarterly management report as referred to as such under the terms of the Borrower Facility Agreement and as described below.

**"Recovery Prepayment Proceeds"** means the proceeds of a claim (a **"Recovery Claim"**) against:

- (a) the vendor of any Property or any of its affiliates (or any employee, officer or adviser); or
- (b) the provider of any Property Report or the provider of any other due diligence report (in its capacity as provider of the same) in connection with the acquisition, development, financing or refinancing of any Property,

except for Excluded Recovery Proceeds and Excluded Insurance Proceeds, and after deducting:

- (i) any reasonable expenses incurred by an Obligor to a person who is not an Obligor or affiliate of an Obligor;
- (ii) any Tax incurred and required to be paid by an Obligor (as reasonably determined by that Obligor on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that Recovery Claim.

**"Relevant Interbank Market"** means the London interbank market.

**"Relevant Jurisdiction"** means, in relation to an Obligor:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

**"Rental Income"** means the aggregate of all amounts paid or payable to or for the account of any Management Company in connection with the letting, licence or grant of other rights of use or occupation of any part of a Property, including:

- (a) rent, licence fees and equivalent amounts paid or payable;
- (b) any sum received or receivable from any deposit held as security for performance of a tenant's obligations, applied to satisfy non-payment obligations of the tenants;
- (c) a sum equal to any apportionment of rent allowed in favour of the Borrower;
- (d) any other moneys paid or payable in respect of occupation and/or usage of a Property and any fixture and fitting on a property including any fixture or fitting on a Property for display or advertisement, on licence or otherwise;
- (e) any sum paid or payable under any policy of insurance in respect of loss of rent or interest on rent;
- (f) any sum paid or payable, or the value of any consideration given, for the grant, surrender, amendment, supplement, waiver, extension or release of any Lease Document;
- (g) any sum paid or payable in respect of a breach of covenants or dilapidations under any Lease Document;

- (h) any sum paid or payable by or distribution received or receivable from any grantor of any occupational tenant under any Lease Document;
- (i) any interest paid or payable on, and any damages, compensation or settlement paid or payable in respect of, any sum referred to above less any related fees and expenses incurred (which have not been reimbursed by another person) by the Borrower;
- (j) any ancillary income arising from ownership and operation of the Properties.

**"Repeating Representations"** means the representations repeated under the terms of the Borrower Facility Agreement.

**"Seasonality Ledger"** means the ledger in each Rent Account designated as such.

**"Student Accommodation"** means the student accommodation at each Property.

**"Student Leases"** means, in relation to the Student Accommodation, any licence, assured shorthold tenancy, short assured tenancy, student tenancy for less than one year or vacation letting of residential accommodation, any other contract under which rooms are let to an educational body or other occupational interest, in each case for less than one year, granted by any tenant of an Intra-Obligor Lease (as landlord) to an individual or vacation lettings operator (as tenant), or in the case of residential accommodation not let to students, assured shorthold tenancies, in each case substantially in the template form of lease or licence previously approved by the Borrower Facility Agent.

**"Subsidiary"** means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

**"Sulets Client Account"** means the account held by Sulet for the allocation of client funds.

**"Termination Date"** means the Original Termination Date unless extended pursuant to the terms of the Borrower Facility Agreement in which case it will be the Extended Termination Date.

**"Test Date"** means a Quarter Date.

**"Total Commitments"** means the aggregate of the commitments, being £107,262,000 on the Closing Date.

**"Transaction Security"** means the security created or evidenced or expressed to be created or evidenced under the Security Documents.

**"Unpaid Sum"** means any sum due and payable but unpaid by an Obligor under the Finance Documents.

**"Valuation"** means an independent Red Book valuation of a Property, or as the context requires, the Properties by the Valuer, supplied at the request of the Agent, addressed to the Finance Parties and prepared on the basis of the market value as that term is defined in the then current Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

*Loan amount, drawdown and further advances*

The Loan will be drawn down in its entirety on the Closing Date. There is no provision for any further advances to be made to the Borrower under the terms of the Borrower Facility Agreement.

The Loan Amount is £107,262,000.

The Borrowers will use the proceeds of the Loan (i) for the purpose of refinancing the costs of the acquisition of the Properties, (ii) for the purpose of paying costs, expenses and taxes related to the acquisition of the Properties and (iii) for general corporate purposes.

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

Interest under the Loan is required to be paid quarterly in arrear on each Interest Payment Date, being 2<sup>nd</sup> February, 2<sup>nd</sup> May, 2<sup>nd</sup> August and 2<sup>nd</sup> November in each year (provided that if any such day is not a Business Day, the relevant Loan Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not)) in respect of successive Loan Interest Periods.

Each Loan Interest Period commences on (and includes) its Interest Period Start Date (or, in respect of the first Loan Interest Period, commencing on the Closing Date) and ends on (but excluding) the next following Interest Period Start Date (ignoring for this purpose any adjustment for a Loan Payment Date falling on a day which is not a Business Day).

The rate of interest applicable to the Loan for each Loan Interest Period is the percentage rate per annum which is the aggregate of the following:

- (a) (i) the Margin or (ii) if the Loan Final Maturity Date has been extended in accordance with the extension option, during any period after the Original Termination Date of the Facility, the Step-Up Margin; and
- (b) either: (i) if there is no Cap Agreement in force or effect, LIBOR; or (ii) if the Cap Agreement is in force and effect, the lower of: (A) LIBOR; and (B) the Cap Rate.

If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 0.25% higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Borrower Facility Agent (acting reasonably and on the instructions of the Majority Lenders).

Any interest accruing under the Borrower Facility Agreement will be payable by the Obligor within three (3) Business Days of demand by the Borrower Facility Agent.

If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:

- (a) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
- (b) the rate of interest applying to the overdue amount during that first Interest Period shall be 0.25% higher than the rate which would have applied if the overdue amount had not become due.

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.



## ***Repayment and Prepayment of the Loan***

### *Loan Final Maturity Date*

The Borrowers shall repay the Loan in full on the Termination Date.

If the Borrowers elect by notice in writing to the Borrower Facility Agent and the Lender no later than 100 days prior to the Original Termination Date and no earlier than 190 days prior to the Original Termination Date and if the Extension Conditions have been satisfied, as confirmed to the Finance Parties by the Borrower Facility Agent (acting reasonably and on the instructions of the Majority Lenders), then the Termination Date will be the Extended Termination Date.

No Borrower may reborrow any part of the Facility which is repaid.

### *Illegality*

If, in any applicable jurisdiction, it becomes unlawful for the Issuer to perform any of its obligations as contemplated by the Borrower Facility Agreement or to fund or maintain its participation in the Loan:

- (a) the Issuer shall promptly notify the Borrower Facility Agent upon becoming aware of that event;
- (b) upon the Borrower Facility Agent notifying the Borrowers' Agent, the commitment will be immediately cancelled; and
- (c) each Borrower shall repay the Issuer's participation in the Loans made to that Borrower on the last day of the relevant Interest Period occurring after the Borrower Facility Agent has notified the Borrowers' Agent or, if earlier, the date specified by the Issuer in the notice delivered to the Borrower Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

### *Change of control*

On the date of which either of GL Europe Holdings II S.à r.l. or GL Europe Luxembourg S.à r.l. ceases to control the Obligors or be the beneficial owner (directly or indirectly through wholly-owned subsidiaries) of the entire issued share capital or the date on which any person or group of persons acting in concert gains control of the Borrowers' Agent and in each case (i) an Event of Default has occurred and is continuing or (ii) there is an outstanding Cash Trap Trigger, the Borrowers' Agent shall promptly notify the Agent upon becoming aware thereof and the Lenders may require within 90 days of such notification and the Borrower Facility Agent shall by not less than 5 days' notice to the Borrowers' Agent, cancel the Total Commitments and declare the Loan, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Total Commitments will be cancelled and all such outstanding amounts will become immediately due and payable.

### *Disposal of all of the Properties*

Upon disposal of all of the Properties in full by the Borrowers, the Agent shall, by not less than 10 days' notice to the Borrowers' Agent, cancel the Total Commitments and declare the Loan, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Total Commitments will be cancelled and all such outstanding amounts will become immediately due and payable.

### *Voluntary Prepayments*

A Borrower to which a Loan has been made may, if it gives the Borrower Facility Agent not less than 5 Business Days' (or such shorter period as the Lender may agree) prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of £250,000), subject in any event to payment of the Prepayment Fee. Further, the relevant Borrower will have to pay the Break Costs to the Lender.

*Mandatory prepayment*

Subject to any payments payable in priority thereto in accordance with the terms of the Borrower Facility Agreement, the Transaction Obligors must apply the following amounts in prepayment of the loans, and payment of prepayment fees together with accrued interest on the amount prepaid and subject to any Break Costs and any prepayment and cancellation fees payable:

- (a) the amount of Disposal Proceeds;
- (b) the amount of Lease Prepayment Proceeds (other than (i) Lease Prepayment Proceeds received in relation to Student Leases; and (ii) Lease Prepayment Proceeds received in relation to a Lease Document where a new Lease Document in relation to the same room(s) is entered into, within two weeks of receipt of such Lease Prepayment Proceeds, on materially the same terms as the Lease Document in respect of which such Lease Prepayment Proceeds were received);
- (c) the amount of Insurance Prepayment Proceeds (other than Excluded Insurance Proceeds);
- (d) the amount of Compensation Prepayment Proceeds;
- (e) the amount of Recovery Prepayment Proceeds; and
- (f) any amounts required to be withdrawn from the Cure Accounts or Cash Trap Accounts to prepay the loans.

*Application of mandatory prepayments*

The application of mandatory prepayments is as follows:

An amount referred to in *Mandatory Prepayment* (a) above will be applied as follows:

- (a) first:
  - (i) in an amount equal to 110% of the Allocated Loan Amount of the Property the subject of, or owned by the Borrower the shares of which were the subject of, the relevant disposal:
    - (A) first, (subject to the below proviso) in or towards prepayment of the loans made to the Borrower that owned that Property;
    - (B) secondly, in or towards payment of prepayment fees and any other amount that is or will become due and payable as a result of those prepayments; and
    - (C) thirdly, in or towards prepayment of the other loans pro rata; and

- (b) secondly, provided no Cash Trap Trigger has occurred, in payment of any surplus to the General Account. To the extent a Cash Trap Trigger has occurred and is continuing, any such surplus shall be transferred into the Cash Trap Account.

An amount referred to in *Mandatory Prepayment* (b) to (f) above will be applied as follows:

- (a) in or towards:
- (i) first, in or towards prepayment of the loans made to the Borrower;
  - (ii) secondly, in or towards payment of prepayment fees and any other amount that is or will become due and payable as a result of those prepayments;
  - (iii) thirdly, prepayment of the other Loans pro rata.

For these purposes, the relevant borrower is (a) insofar as the relevant amount to be applied in prepayment is derived from or relates to a Borrower or the assets of a Borrower, that Borrower; and (b) otherwise, such Borrower or Borrowers as the Issuer elects.

A "**Cash Trap Trigger**" means any of the ICR Cash Trap Trigger, the LTV Cash Trap Trigger and the 50:50 LTV Cash Trap Trigger.

An "**ICR Cash Trap Trigger**" means the Interest Cover on the relevant Test Date which is at least 200%.

A "**LTV Cash Trap Trigger**" means the Loan to Value on the relevant Test Date which is 70%.

#### *Restrictions*

Any mandatory or voluntary prepayment (other than a prepayment due to illegality shall be made together with accrued interest on the amount prepaid and subject to any Break Costs and (other than in the case of prepayment due to the occurrence of a tax gross up) any prepayment and cancellation fees payable under the terms of the Borrower Facility Agreement.

#### *Break Costs*

Each Borrower shall, promptly upon demand by the Borrower Facility Agent, the Arranger, the Borrower Security Trustee or the Lender pay any Break Costs attributable to all or any part of the Loan that is repaid by such Borrower (other than in respect of a mandatory repayment due to illegality or a tax gross-up). Such Break Costs will be the amount by which the interest a Lender would have received for any period from the date of receipt of all or any part of its participation in the Loan or an Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period exceeds the amount which such Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recover and ending on the last day of the current Interest Period.

#### *Prepayment fee*

The Borrowers' Agent must pay to the Borrower Facility Agent for the Issuer a prepayment fee on the date of prepayment of all or any part of the Loan (the "**Prepayment Fee**").

The amount of the prepayment fee is:

- (a) if the prepayment occurs on or before the first anniversary of the Closing Date, 1.5% of the outstanding balance of the loans;
- (b) if the prepayment occurs after the first but on or before the second anniversary of the Closing Date, 1% of the amount prepaid; and
- (c) if the prepayment occurs after the second but on or before the third anniversary of the Closing Date, 0.5% of the amount prepaid.

No prepayment fee will be payable if the reason for making a voluntary prepayment is because an Obligor is required to make an increased payment with respect to tax gross-up or illegality.

### ***Accounts***

Following a Loan Event of Default, the Borrower Security Trustee will be able to assume sole signing rights and control over those Accounts in respect of which it does not already have sole signing rights.

#### *Borrower Accounts*

Each Borrower must maintain a rent account (a "**Rent Account**"). The Borrowers must also maintain the following bank accounts in the name of the Borrowers:

- (a) a deposit account designated the "**Deposit Account**";
- (b) a deposit account designated the "**Disposals Account**";
- (c) a deposit account designated the "**Cure Account**";
- (d) a deposit account designated the "**Cash Trap Account**"; and
- (e) a current account designated the "**General Account**",

(together the "**Borrower Accounts**") each as described below into which rental income, proceeds from property disposals, insurance proceeds, and other monies received in connection with the Properties are required to be paid.

No Borrower may, without the prior written consent of the Borrower Facility Agent, maintain any other bank account.

#### *Management Company Accounts*

Each Management Company must maintain the following bank accounts in the name of the Management Companies:

- (a) an operating income account designated the "**Operating Income Account**", and together the "**Operating Income Accounts**";
- (b) a "**Management Company General Account**", and together the "**Management Company General Accounts**"; and
- (c) a sinking fund account (the "**Sinking Fund Account**", and together the "**Sinking Fund Accounts**",

(together the "**Management Company Accounts**").

No Management Company may, without the prior written consent of the Borrower Facility Agent, maintain any other bank account.

#### *Account Bank*

The Account Bank shall at all times be a bank which is an Authorised Entity.

If the Account Bank ceases to be an Authorised Entity, the Borrower Facility Agent will give notice of such event to the Issuer, the Servicer, the Special Servicer, the Cash Manager and the Issuer Security Trustee and will, within 30 calendar days of the occurrence of such event (or within 60 calendar days of the occurrence of such event provided that within 30 calendar days of the occurrence of such event, S&P, the Servicer, the Special Servicer and the Issuer Security Trustee receive written plans from the Borrowers' Agent describing the steps it has taken, and will take, to remedy the downgrade within the extended remedy period and S&P has notified the Account Bank that it will not take any action to downgrade the Notes for the duration of the extended remedy period), with the consent of the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement):

- (a) procure the transfer of the Accounts to a successor Account Bank, provided that such successor Account Bank is an Authorised Entity;
- (b) obtain a guarantee of its obligations under the Borrower Facility Agreement from a financial institution which is an Authorised Entity; or
- (c) take such other action as may be agreed with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) and the Issuer Security Trustee to maintain the then current ratings of the Notes.

#### *Client Accounts*

The Management Companies will procure that if, on the relevant date, amounts standing to the credit of the relevant account exceed £10,000 (i) the Derwent Facilities Manager will transfer on the 15th day of each month, subject to a retention of £50,000 for operational purposes, all amounts standing to the credit of the relevant Derwent Client Account to the relevant Management Company General Account and (ii) Student Union Lettings Limited shall transfer on a daily basis all amounts standing to the credit of the Sulets Client Account to the relevant Management Company General Account.

#### *Management Company General Accounts*

The relevant Management Company has sole signing rights in relation to each Management Company General Account.

In any month where there is no Rent Payment Date, on the 20th day of each such month the Management Companies shall transfer from their respective Management Company General Account 97% of net operating income from the preceding month into the relevant Operating Income Account.

On the 20th day of each month the Management Companies shall transfer from their respective Management Company General Account one twelfth of the Sinking Fund Amounts into the Sinking Fund Account.

To the extent there is a shortfall as at the 20th day of a month which there is a Rent Payment Due in the amount standing to the credit of the relevant Operating Income Account required to make a Rent Payment ("**Rent Payment Shortfall**"), the relevant Management

Company shall transfer an amount equal to the Rent Payment Shortfall from the relevant Management Company General Account into the relevant Operating Income Account.

Each Management Company may transfer dividends at the relevant time out of the relevant Management Company General Account into the relevant Rent Account.

Each Management Company may at any time request that monies be transferred from the relevant Operating Income Account into the relevant Management Company General Account, subject to the prior written consent of the Borrower Security Trustee (such consent not to be unreasonably withheld).

#### *Operating Income Accounts*

The Borrower Security Trustee has sole signing rights in relation to each Operating Income Account.

On each Rent Payment Date, the Borrower Security Trustee must withdraw from, and transfer from each Operating Income Account an amount equal to the Intra-Obligor Rent into the relevant Rent Account.

To the extent there is a surplus as of the 20th day of a month in which there is a Rent Payment Date in the amount standing to the credit of the Operating income Account required to make a Rent Payment ("**Rent Payment Surplus**"), provided that no Event of Default and no Cash Trap Trigger has occurred and is continuing, the Borrower Security Trustee shall transfer an amount equal to the Rent Payment Surplus from the relevant Operating Income Account to the relevant Management Company General Account.

#### *Sinking Fund Account*

The Management Companies and the Borrower Security Trustee shall have joint signing rights in relation to the Sinking Fund Account.

On the 20th day of each month, the Management Companies will transfer the Sinking Fund Amount into the Sinking Fund Account.

The Management Companies may withdraw amounts to pay capital expenditure up to the Approved Capital Expenditure Amounts and may only withdraw any amounts in excess of the Approved Capital Expenditure Amounts provided such additional capex amounts are certified to by two directors of GL Europe Portfolio Advisors Limited.

#### *Rent Accounts*

Each Borrower will procure that, except to the extent amounts are otherwise required to be deposited into a Deposit Account, Disposals Account, Cure Account or Cash Trap Account pursuant to the terms of the Borrower Facility Agreement (and except for amounts representing VAT payable by tenants in respect of Lease Documents, which are required to be paid into the Borrower's General Account), all amounts received by it from the Management Companies or otherwise shall be deposited promptly into its Rent Account. The Borrower Security Trustee has sole signing rights in relation to each Rent Account.

If the amount standing to the credit of the relevant Rent Account is higher than the relevant Average Budgeted Rent, such excess amount shall be transferred to the Seasonality Ledger (and for the avoidance of doubt shall not be applied in accordance with the Rent Account waterfall), unless required under the terms of the Borrower Facility Agreement.

To the extent there is any shortfall in the Rent Account on any Interest Payment Date, the Borrower Security Trustee will apply any amounts standing to the credit of the Seasonality

Ledger in accordance with the following: any amounts standing to the credit of the Seasonality Ledger will be released into the General Account annually no later than 5 Business Days following the Interest Payment Date falling in November, provided that no Cash Trap Trigger and/or Event of Default has occurred and is continuing.

The Borrowers will procure that an amount equal to £1,505,000 will be deposited in the Rent Accounts and credited to the applicable Seasonality Ledger on the Closing Date.

The Borrower Security Trustee shall (and following the enforcement of the Loan Security, the Borrower Security Trustee may), on each Loan Payment Date apply amounts standing to the credit of the Rent Account as follows:

- (a) *firstly*, in funding of the current Quarter's Operating Expenses in accordance with the applicable Annual Budget;
- (b) *secondly*, in or towards payment pro rata of any unpaid costs, fees, expenses, indemnity payments and other amounts owing to the Borrower Facility Agent, the Arranger or the Borrower Security Trustee under the Finance Documents;
- (c) *thirdly*, in or towards payment pro rata to the Borrower Facility Agent for the lender of any accrued interest and fees due but unpaid under the Borrower Facility Agreement;
- (d) *fourthly*, in or towards payment pro rata to the Borrower Facility Agent for the Lender of any principal due but unpaid under Borrower Facility Agreement;
- (e) *fifthly*, in or towards payment pro rata of any other sum due but unpaid to the Finance Parties under the Finance Documents; and
- (f) *sixthly*, prior to the enforcement of the Loan Security,
  - (i) all amounts shall be transferred by the Borrower Security Trustee to the Cash Trap Account if:
    - (I) the Interest Cover on the relevant Test Date is less than 200% (the "**ICR Cash Trap Trigger**"); or
    - (II) the Loan to Value on the relevant Test Date is greater than 70% (the "**LTV Cash Trap Trigger**"); or
  - (ii) if the Loan to Value on the relevant Test Date is greater than 65% (the "**50:50 LTV Cash Trap**"), then fifty per cent of amounts standing to the credit of the Rent Account shall be transferred by the Borrower Security Trustee to the Cash Trap Account;
- (g) *seventhly*, provided that no Event of Default has occurred and is continuing, payment of any surplus into the General Account.

#### *Deposit Account*

The Borrower Security Trustee has sole signing rights in relation to the Deposit Account. The Obligors must ensure the following:

- (a) that all Lease Prepayment Proceeds are promptly upon receipt paid into the Deposit Account;

- (b) that all Insurance Prepayment Proceeds are promptly upon receipt paid into the Deposit Account;
- (c) that all Compensation Prepayment Proceeds are promptly upon receipt paid into the Deposit Account; and
- (d) that all Recovery Prepayment Proceeds are promptly paid into the Deposit Account.

Except as provided for with respect to partial payments, on each Interest Payment Date, or earlier at the request of the Borrowers' Agent if it gives not less than 5 Business Days' notice, the Borrower Security Trustee is obliged to make a withdrawal from the Deposit Account (other than any Excluded Insurance Proceeds) in prepaying the loans.

If the Borrowers' Agent gives the Borrower Security Trustee not less than 10 Business Days' notice accompanied by such evidence as the Borrower Security Trustee reasonably requires in relation to the application of the amounts for the purposes described in paragraphs (a) or (b) in the definition of Excluded Insurance Proceeds (including evidence that such amounts will be applied promptly following receipt), the Borrower Security Trustee must withdraw any amounts representing Excluded Insurance Proceeds from the Deposit Account and deposit them into the related Borrower's General Account.

#### *Disposals Account*

The Borrower Security Trustee has sole signing rights in relation to the Disposals Account. The amount of the net disposal proceeds received from the disposal of a Property or the shares in a Borrower made in accordance with the Borrower Facility Agreement (the "**Disposal Account**") must, pursuant to the terms of the Borrower Facility Agreement, be paid into the Disposal Account.

Except as provided in the partial payment provisions of the Borrower Facility Agreement, on each Interest Payment Date, or earlier at the request of the Borrowers' Agent if it gives the Borrower Facility Agent not less than 5 Business Days' written notice, the Borrower Security Trustee must withdraw from, and apply amounts standing to the credit of the Disposals Account in prepaying the loans in accordance with the mandatory prepayment provisions, including, for the avoidance of doubt, any Break Costs and any Prepayment Fees.

#### *General Account*

Except as provided under the terms of the Borrower Facility Agreement, the Borrowers have signing rights in relation to the General Account.

Each Obligor must ensure that any amounts representing VAT payable by tenants in respect of Lease Documents and any other amount received or receivable by it, other than any amount specifically required under the terms of the Borrower Facility Agreement to be paid into any other Account, is paid into the General Account.

Except as provided below and subject to:

- (a) any restriction in any subordination agreement; and
- (b) the requirement that amounts paid into the General Account for a particular purpose must be used for that purpose,

the Borrowers' Agent may withdraw any amount from the General Account for any purpose.

At any time when an Event of Default is continuing or the Repeating Representations are not correct, the Borrower Security Trustee may:



- (a) operate the General Account;
- (b) notify the Borrowers' Agent that its rights to operate the General Account are suspended, such notice to take effect in accordance with its terms; and
- (c) withdraw from, and apply amounts standing to the credit of, the General Account in or towards any purpose for which moneys in any Account may be applied.

#### *Cure Account*

The Borrower Security Trustee has sole signing rights in relation to the Cure Account.

Amounts deposited in the Cure Account (the "**Cure Amounts**") will be paid into the Cure Accounts in accordance with the terms of the Borrower Facility Agreement.

If the Borrowers have been in compliance with their obligations under the financial covenants for at least two complete successive Interest Periods, ignoring, for this purpose, the amounts standing to the credit of the Cure Accounts, the Borrower Security Trustee shall, at the request of the Borrowers, then provided that (i) no Event of Default has occurred and is continuing and (ii) such withdrawal would not result in the occurrence of an Event of Default, transfer the amounts standing to the credit of the Cure Accounts to the respective General Accounts.

Where following the occurrence of a breach of the obligations under the financial covenants, Cure Amounts have stood to the credit of the Cure Accounts for four complete successive Interest Periods, the Borrower Security Trustee will withdraw such Cure Amounts from the Cure Accounts and apply such amount in accordance with the mandatory prepayment provisions of the Borrower Facility Agreement.

#### *Cash Trap Account*

The Borrower Security Trustee has sole signing rights in relation to the Cash Trap Account.

If there has been no outstanding Cash Trap Trigger for at least two complete successive Interest Periods, ignoring, for this purpose, amounts standing to the credit of the Cash Trap Accounts the Borrower Security Trustee shall, at the request of the Borrowers, transfer amounts standing to the credit of the Cash Trap Accounts to the respective General Accounts.

Where following the occurrence of a Cash Trap Trigger, the relevant amount of cash that has been trapped in the Rent Account has stood to the credit of the Cash Trap Account for four complete successive Interest Periods, the Borrower Security Trustee when the Cash Trap Trigger continues to apply must withdraw from the Rent Account and apply such amount in accordance the mandatory prepayment provisions of the Borrower Facility Agreement.

#### *Issuer Interest Reserve Account*

The Issuer shall no later than on the Closing Date open the Issuer Interest Reserve Account and shall maintain such account until the later of (a) the Original Termination Date; (b) the Extended Termination Date; (c) the date upon which all obligations of the Borrowers to the Finance Parties under the Finance Documents have been fully discharged; or (d) the date on which the balance of the Issuer Interest Reserve Account has been reduced to zero in accordance with the Borrower Facility Agreement. All amounts from time to time standing to the credit of the Issuer Interest Reserve Account will be held by the Issuer on bare trust for the benefit of the Borrowers absolutely (allocated between the Borrowers pro-rata, calculated in accordance with the amounts borrowed by each Borrower under the Borrower Facility Agreement on the Closing Date (the "**Interest Reserve Allocation**"). All interest accrued on amounts from time to time standing to the credit of the Interest Reserve Account

("Reserve Interest") shall belong to and be beneficially owned by the Borrowers absolutely (allocated between the Borrowers in accordance with the Interest Reserve Allocation).

On each Loan Payment Date, the Issuer is authorised by the Borrowers to, and accordingly shall, withdraw from the Issuer Interest Reserve Account an amount equal to the Reserve Interest and (a) if there is an Interest Payment Shortfall apply such amount to discharge any Interest Payment Shortfall as set out below, or (b) if there is no Interest Payment Shortfall and provided that no Cash Trap Trigger and/or Event of Default has occurred and is continuing, deposit such amounts into the General Account of each Borrower (allocated between the Borrowers in accordance with the Interest Reserve Allocation) or into such other account as each relevant Borrower shall notify the Issuer from time to time.

Upon the occurrence of an Interest Payment Shortfall (the amount of such shortfall being an "**Interest Shortfall Amount**"), the Issuer (or the Servicer or Special Servicer on its behalf) shall calculate the Interest Shortfall Amount and the Issuer, on behalf of the Borrowers, shall apply the Reserve Interest in an amount needed to reduce the Interest Shortfall Amount to zero, and provided that no Cash Trap Trigger and/or Event of Default has occurred and is continuing, after such payment has been made, any remaining balance of Reserve Interest shall be deposited by the Lender into the General Account of each Borrower (allocated between the Borrowers in accordance with the Interest Reserve Allocation) or into such other account as each relevant Borrower shall notify the Issuer from time to time. If the Reserve Interest is not enough to reduce the Interest Shortfall Amount to zero, the Issuer shall withdraw from the Issuer Interest Reserve Account an amount required to reduce the Interest Shortfall Amount to zero and apply such amount, on behalf of the Borrowers, in satisfaction of such Interest Payment Shortfall (each a "**Reserve Drawing**"). The Issuer shall notify the Borrowers of any Reserve Drawing.

Within 10 Business Days of a Reserve Drawing, the Borrowers shall deposit into the Issuer Interest Reserve Account (to be held in that account on bare trust for the benefit of the Borrowers absolutely, allocated between the Borrowers in accordance with the Interest Reserve Allocation) the amount required to increase the balance of the Interest Reserve Account to an amount which is equal to the Interest Reserve Amount.

On the later of (i) the Original Termination Date or (ii) the Extended Termination Date, the Issuer shall apply (on behalf of the Borrowers) any amounts standing to the credit of the Issuer Interest Reserve Account towards the satisfaction of any outstanding interest and/or fee payments due by the Borrowers to the Issuer under the Borrower Facility Agreement or, provided that all obligations of the Obligors under the Finance Documents have been discharged in full and no Cash Trap Trigger and/or Event of Default has occurred and is continuing, deposit any remaining balance of the Issuer Interest Reserve Account in to the General Accounts of each Borrower (allocated between the Borrowers in accordance with the Issuer Interest Reserve Allocation) or such other account as notified to the Issuer.

In the event of a prepayment of the Loan following a disposal of a Property or shares in an Obligor in accordance with the Borrower Facility Agreement the Issuer is authorised by the Borrowers to and the Issuer shall (in each case on behalf of the Borrowers) withdraw an amount equal to the Disposal Reserve Amount from the Issuer Interest Reserve Account and transfer such amount into the Disposals Account for application in accordance with the Borrower Facility Agreement.

On the date that the Loan has been fully repaid and all other obligations of the Obligors to the Finance Parties under the Finance Documents have been fully discharged the Issuer is authorised by the Borrowers to and the Issuer shall (in each case on behalf of the Borrowers) withdraw all amounts standing to the credit of the Issuer Interest Reserve Account and transfer such amounts into the General Account of each Borrower (allocated between the Borrowers in accordance with the Issuer Interest Reserve Allocation) or into such other account as each relevant Borrower shall notify the Issuer from time to time.

## **REPRESENTATIONS AND WARRANTIES**

Each Obligor makes the following representations and warranties to each Finance Party on the date of the Borrower Facility Agreement.

### **Status**

It is a limited liability corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.

It has the power to own its assets and carry on its business as it is being conducted.

### **Binding obligations**

The obligations expressed to be assumed by it in each Transaction Document to which it is a party are, subject to the Legal Reservations, legal, valid, binding and enforceable obligations.

### **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents and the granting of the Transaction Security do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

### **Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is or will be a party and the transactions contemplated by those Transaction Documents.

No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Transaction Documents to which it is a party.

### **Validity and admissibility in evidence**

Subject to the Legal Reservations, all Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and
- (b) to make the Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect.

All Authorisations necessary for the conduct of the business, trade and ordinary activities of the Obligors have been obtained or effected and are in full force and effect.

## **Governing law and enforcement**

The choice of English law and the choice of Luxembourg law, as applicable, as the governing law of the Finance Documents will be recognised and enforced in its Relevant Jurisdictions.

Any judgment obtained in England in relation to a Finance Document will be recognised and enforced in its Relevant Jurisdictions.

## **Deduction of Tax**

It is not required to make any Tax Deduction from any payment it may make under any Finance Document to a Lender which is:

- (a) a Qualifying Lender:
  - (i) falling within paragraph (a)(i) of the definition of "Qualifying Lender";
  - (ii) except where a Direction has been given under section 931 of the ITA in relation to the payment concerned, falling within paragraph (a)(ii) of the definition of "Qualifying Lender"; or
  - (iii) falling within paragraph (b) of the definition of "Qualifying Lender" or;
- (b) a Treaty Lender and the payment is one specified in a direction given by the Commissioners of Revenue & Customs under Regulation 2 of the Double Taxation Relief (Taxes on Income) (General) Regulations 1970 (SI 1970/488).

No Rental Income payable to any Obligor is subject to a requirement to make a deduction or withholding for or on account of Tax from that Rental Income.

## **No filing or stamp taxes**

Under the laws of its Relevant Jurisdiction it is not necessary that the Finance Documents be registered, filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except:

- (a) registration of particulars of the Security Documents with the *Administration de l'Enregistrement et des Domaines* in Luxembourg if required in the case of legal proceedings before Luxembourg courts or in the case that the Transaction Documents (and any documents in connection therewith) must be produced before an Official Luxembourg authority (*autorité constituée*). A nominal registration duty or an ad valorem duty may be payable, depending upon the nature of the document to be registered, to be produced or in case of voluntary registration; and
- (b) registration of the Security Documents at the Land Registry or Land Charges Registry in England and Wales and payment of associated fees,

which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant Security Document.

Any disclosure required to be made by it to any relevant taxing authority in relation to stamp duty land tax payable on any transactions contemplated by or being financed by the Transaction Documents has been made.

## **VAT**

It is not a member of a value added tax group.

## **No default**

No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation or the entry into, or the performance of, or any transaction contemplated by, any Transaction Document.

No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or a termination event (however described) under any other agreement or instrument which is binding on it or to which any of its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

## **Information**

All information in writing (including by way of email communication) supplied by it or on its behalf to any Finance Party in connection with the Transaction Documents was true and accurate in all material respects as at the date it was provided or as at any date at which it was stated to be given.

Any financial projections have been prepared as at their date on the basis of recent historical information and on the basis of reasonable assumptions.

It has not omitted to supply any information which, if disclosed, would make the information untrue or misleading in any respect.

As at the first Loan Payment Date, nothing has occurred since the date of the information which, if disclosed, would make that information untrue or misleading in any material respect.

## **Pari passu ranking**

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

## **No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it.

## **Valuation**

All information in writing (including by way of email communication) supplied by it or on its behalf to the Valuer for the purposes of each Valuation was true and accurate in all material respects as at its date or (if appropriate) as at the date (if any) at which it is stated to be given.

Any financial projections contained in the information have been prepared as at their date, on the basis of recent historical information and on the basis of reasonable assumptions.

It has not omitted to supply any information to the Valuer which, if disclosed, would adversely affect the Valuation.

As at the first Loan Payment Date, nothing has occurred since the date the information was supplied which, if it had occurred prior to the Initial Valuation, would have materially adversely affected the Initial Valuation.

### **Title to Property**

The Borrower named as owner of each Property will, from the Closing Date:

- (a) be the legal and beneficial owner of that Property; and
- (b) have good and marketable title to that Property,

in each case free from Security (other than those created by or pursuant to the Security Documents) and restrictions and onerous covenants (other than those set out in the Property Report in relation to that Property).

From the first Loan Payment Date except as disclosed in the Property Report relating to a Property:

- (a) no breach of any law, regulation or covenant is outstanding which adversely affects or might reasonably be expected to adversely affect the value, saleability or use of that Property;
- (b) there is no covenant, agreement, stipulation, reservation, condition, interest, right, easement or other matter whatsoever adversely affecting that Property;
- (c) nothing has arisen or has been created or is outstanding which would be an overriding interest, or an unregistered interest which overrides first registration or a registered disposition, over that Property;
- (d) all facilities necessary for the enjoyment and use of that Property (including those necessary for the carrying on of its business at that Property) are enjoyed by that Property;
- (e) none of the facilities referred to are enjoyed on terms:
  - (i) entitling any person to terminate or curtail its use of that Property; or
  - (ii) which conflict, in a material manner, with or restrict its use of that Property;
- (f) the relevant Obligor has not received any notice of any adverse claim by any person in respect of the ownership of that Property or any interest in it which might reasonably be expected to be determined in favour of that person, nor has any acknowledgement been given to any such person in respect of that Property; and
- (g) that Property is held by the relevant Obligor free from any lease or licence (other than those entered into in accordance with the Borrower Facility Agreement).

All deeds and documents necessary to show good and marketable title to a Borrowers' assets interests in a Property will from the Closing Date be:

- (a) in possession of the Borrower Security Trustee;
- (b) held at the Land Registry to the order of the Borrower Security Trustee; or

- (c) held to the order of the Borrower Security Trustee by a firm of solicitors approved by the Borrower Security Trustee for that purpose.

### **Information for Property Reports**

The information supplied by it or on its behalf to the lawyers who prepared any Property Report for the purpose of that Property Report was true and accurate as at the date of the Property Report or (if appropriate) as at the date (if any) at which it is stated to be given.

The information was at the date it was expressed to be given complete and did not omit any information which, if disclosed would make that information untrue or misleading in any material respect.

As at the first Loan Payment Date, nothing has occurred since the date of any information which, if disclosed, would make that information untrue or misleading in any material respect.

### **No other business**

No Obligor has traded or carried on any business since the date of its incorporation except for:

- (a) in the case of the Borrowers' Agent, the ownership of the Borrowers; and
- (b) in the case of each Borrower, the ownership and management of its interests in the Properties.

As at the Closing Date, it is not party to any material agreement other than the Transaction Documents.

As at the date of the Borrower Facility Agreement:

- (a) the Borrowers' Agent does not have any Subsidiaries other than the Borrowers; and
- (b) no Borrower has any Subsidiaries.

No:

- (a) Borrower has any employees; and
- (b) Obligor has any obligation in respect of any retirement benefit or occupational pension scheme except as required by law.

### **Centre of main interests and establishments**

For the purposes of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the "**Regulation**"), its centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in its jurisdiction of incorporation (as applicable) and it has no "establishment" (as that term is used in Article 2(h) of the Regulations) in any other jurisdiction.

### **Central Administration**

Each Obligor incorporated in Luxembourg has its place of central administration (administration central) at the place of its registered office (siege *statutaire*) in Luxembourg.

### **Ranking of Security**

The security conferred by each Security Document constitutes a first priority security interest of the type described, over the assets referred to, in that Security Document and those assets are not subject to any prior or *pari passu* Security.

### **Ownership**

The Borrowers' Agent's entire issued share capital is legally and beneficially owned and controlled by the Shareholder.

Each Borrowers' assets entire issued share capital is legally and beneficially owned and controlled by the Borrowers' Agent.

The shares in the capital of each Obligor are fully paid and are not subject to any option to purchase or similar rights.

### **Repetition**

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the date of the first day of each Loan Interest Period.

### **Representation by the Lender**

The Lender represents that it will at all times comply with its obligations under the Cap Agreement and undertakes not to terminate the Cap Agreement without the prior written consent of the Borrowers other than in case of the occurrence of an Event of Default or a Termination Event (as each such is defined in the Cap Agreement).

### ***Undertakings***

The Borrower has given various undertakings under the Borrower Facility Agreement which will remain in force from the date of the Borrower Facility Agreement for so long as any amount is outstanding under the Finance Documents. These undertakings include, among other things, the following:

### **INFORMATION UNDERTAKINGS**

The undertakings remain in force from the date of the Borrower Facility Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### **Financial statements**

The Borrowers' Agent shall supply to the Borrower Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years:
  - (i) its audited consolidated financial statements for that financial year; and
  - (ii) the audited financial statements of each Obligor for that financial year;
- (b) as soon as the same become available, but in any event within 30 days after the end of each quarter of each of its financial years:
  - (i) its management accounts for that financial quarter; and



- (ii) the management accounts of each Obligor for that financial quarter, .

### **Compliance Certificate**

The Borrowers' Agent shall supply to the Borrower Facility Agent, with each set of financial statements delivered a Compliance Certificate setting out (in reasonable detail) computations as to compliance at the date as at which those financial statements were drawn up.

The Borrowers shall supply to the Borrower Facility Agent, with each quarterly report delivered, a Compliance Certificate setting out (in reasonable detail) computations as to compliance as at the Interest Payment Date falling immediately after the date of delivery of that report.

Each Compliance Certificate shall be signed by two directors of the Borrowers' Agent without personal liability save as to fraud.

### **Requirements as to financial statements**

Each set of financial statements delivered by the Borrowers' Agent shall be certified by a director of the relevant company as giving a true and fair view (if audited) or fairly representing (if unaudited) its financial condition as at the date as at which those financial statements were drawn up.

The Borrowers' Agent shall procure that each set of financial statements delivered is prepared using GAAP.

The Borrowers' Agent shall procure that each set of financial statements of an Obligor delivered is prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the original financial statements for that Obligor unless, in relation to any set of financial statements, it notifies the Borrower Facility Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Obligor) deliver to the Borrower Facility Agent:

- (a) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which that Obligor's original financial statements were prepared; and
- (b) sufficient information, in form and substance as may be reasonably required by the Borrower Facility Agent, to enable the Lenders to make an accurate comparison between the financial position indicated in those financial statements and that Obligor's original financial statements.

Any reference in the Borrower Facility Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the original financial statements were prepared.

### **Annual budget**

The Borrowers shall procure the supply by the Borrowers' Agent to the Borrower Facility Agent with sufficient copies for all Lenders not later than 28 September 2015, 26 September 2016, 25 September 2017, 24 September 2018, 23 September 2019 and 28 September 2020 respectively in each respective financial year (commencing with the financial year starting on 29 September 2014) of the Borrowers' income and costs budget and business plan (with full supporting material and calculations) (and with the projections broken down on a monthly basis) for the forthcoming financial year in substantially the same form as the Business Plan,

such budget to include without limitation: (i) expected occupancy, (ii) rent levels and (iii) Operating Income in respect of the Property.

If on any Interest Payment Date the occupancy rate of the Student Accommodation in any Property falls below 85% of that set out in the relevant Annual Budget the Borrowers' Agent shall within 30 days supply to the Borrower Facility Agent (in sufficient copies for all the Lenders) an updated Annual Budget for approval by the Borrower Facility Agent, such approval not to be unreasonably withheld.

The Borrowers' Agent shall meet with the Borrower Facility Agent and the Finance Parties to discuss each proposed Annual Budget as soon as reasonably practicable prior to the deadline for delivery set out in paragraph (a) above, and assist the Borrower Facility Agent and the Finance Parties with any questions that they may have and will provide such further information as the Borrower Facility Agent may reasonably require. Each proposed Annual Budget is subject to the approval of the Borrower Facility Agent (acting on the instructions of the Majority Lenders) (such approval not to be unreasonably withheld or delayed).

The Business Plan shall constitute the Annual Budget in respect of the period from and including the Closing Date to and including 28<sup>th</sup> September 2015.

### **Quarterly management report**

The Borrowers' Agent shall supply to the Borrower Facility Agent (in sufficient copies for all the Lenders, if the Borrower Facility Agent so requests) no later than 5 Business Days before each Interest Payment Date a quarterly management report in respect of the Quarter ending on the immediately preceding Quarter Date, including the following information:

- (a) financial statements for that Quarter comprising an aggregation of monthly management accounts for that Quarter and including a comparison against that Quarter's Annual Budget for profit and loss;
- (b) details of figures required for the purposes of calculating the Historical Interest Cover and the Projected Interest Cover;
- (c) details of any Sinking Fund Amount paid into the Sinking Fund Account in the previous Quarter and amounts projected to be used from the Sinking Fund Account in the following Quarter;
- (d) details of any material changes since the last Compliance Certificate was provided to the Borrower Facility Agent including provision and certification of the figures required to calculate the Interest Cover;
- (e) details of the progress of any refurbishments being carried out or any proposed refurbishment to any Property;
- (f) any update on or any proposed changes to the property strategy and Annual Budget;
- (g) a schedule of the existing tenants of Occupational Leases (other than in relation to Student Leases) showing for each tenant the rent, service charge, VAT and other payments payable in the previous rental Quarter by each of those tenants;
- (h) a breakdown of the rent points and forward sales position for the relevant Financial Year in respect of the Student, including details of the number of rooms let and rents achieved for each room type as against such rent points;

- (i) promptly, any other information in respect of the Properties, any Occupational Lease, any Student Lease or any occupational tenant (and any guarantor or surety of that occupational tenant) of an Occupational Lease as the Borrower Facility Agent may reasonably request;
- (j) a structure chart of the Group including the holders of all shares, such a structure chart highlighting any changes to the structure from the previously issued structure chart or, to the extent there have been no changes, a confirmation in writing that no changes have been made; and
- (k) details of any nomination agreements of Occupational Leases (not Student Leases) for the forthcoming academic year;
- (l) copies of all material correspondence which may lead to a material diminution of rent or value under any Nomination Agreement or Occupational Lease;
- (m) copies of all material correspondence with insurance brokers handling the insurance of any Property;
- (n) details of any actual or proposed capital expenditure with respect to each Property;
- (o) details of any actual or required material repairs to each Property; and
- (p) any other information in relation to a Property reasonably requested by the Borrower Facility Agent to the extent any such information has not already been provided.

**Information: miscellaneous**

The Borrowers' Agent shall supply to the Borrower Facility Agent and, in the case of (d), the Borrower Security Trustee or procure that it shall be supplied:

- (a) all documents dispatched by the Borrowers' Agent to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect;
- (c) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Borrower Facility Agent, acting on the instructions of the Majority Lenders) may reasonably request; and
- (d) any other information as so determined to be reasonably required by the Borrower Facility Agent or the Borrower Security Trustee to the extent any such information has not already been provided.

**Notification of default**

Each Obligor shall notify the Borrower Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).

Promptly upon a request by the Borrower Facility Agent, the Borrowers' Agent shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying

that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

### **"Know your customer" checks**

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of the Borrower Facility Agreement;
- (b) any change in the status of an Obligor, or any change in the composition of the shareholders of an Obligor, after the date of the Borrower Facility Agreement;
- (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under the Borrower Facility Agreement; or
- (d) to a party that is not a Lender prior to such assignment or transfer,

obliges the Borrower Facility Agent, the Borrower Security Trustee or any Lender (or, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Borrower Facility Agent, Borrower Security Trustee or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Borrower Facility Agent (for itself or on behalf of any Lender) , Borrower Security Trustee any Lender (for itself or on behalf of any prospective new Lender) in order for the Borrower Facility Agent, the Borrower Security Trustee, such Lender or, any prospective new Lender, or the Borrower Security Trustee to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

Each Lender shall promptly upon the request of the Borrower Facility Agent or the Borrower Security Trustee supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Borrower Facility Agent (for itself) or the Borrower Security Trustee (for itself) in order for the Borrower Facility Agent or the Borrower Security Trustee to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

## **FINANCIAL COVENANTS**

### **Interest Cover**

The Borrowers must ensure that Interest Cover is, at all times, at least 150%.

If there is a breach of this, the Borrowers may within 30 calendar days of the breach:

- (a) subject to any break costs and prepayment fees, prepay the Loans in accordance with the voluntary prepayment of loans in an amount of not less than £250,000 to ensure compliance with the above; or
- (b) subject to the below, deposit an amount into the Cure Account so that if that amount were to be netted off against the outstanding balance of the Loan and the Interest Cover were recalculated on that basis the Interest Cover financial covenant would be complied with.

## **Loan to Value**

The Borrowers must ensure that the Loan to Value does not, at any time, exceed 80%.

If there is a breach of the above, the Borrowers may within 30 calendar days of the breach:

- (a) subject to any break costs and prepayment fees, prepay the Loans in accordance with the voluntary prepayment of loans in an amount of not less than £250,000 to ensure compliance with the above; or
- (b) subject to the below, deposit an amount into the Cure Account so that if that amount were to be netted off against the outstanding balance of the Loan it would be in compliance with the Loan to Value financial covenant.

## **Restrictions on cures**

The Borrowers may only make a deposit in accordance with the above financial covenants (i) no more than once during two successive Loan Interest Periods and (ii) no more than five times in aggregate from the Loan Payment Date up to and including the Termination Date.

## **GENERAL UNDERTAKINGS**

The general undertakings remain in force for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### **No other business**

No Obligor shall trade or carry on any business except for:

- (a) in the case of the Borrowers' Agent, the ownership of the Borrowers and the Management Companies; and
- (b) in the case of each Borrower, the ownership and management of its interests in the Properties.

From and including the date of the Borrower Facility Agreement:

- (a) the Borrowers' Agent will not have any Subsidiaries other than the Borrowers;
- (b) no Management Company will have any Subsidiaries; and
- (c) no Borrower will have any Subsidiaries other than the Management Companies.

From and including the date of the Borrower Facility Agreement:

- (a) No Borrower has any employees; or
- (b) No Borrower will have any obligation in respect of any retirement benefit or occupational pension scheme.

From and including the date of the Borrower Facility Agreement no Obligor will have any obligation in respect of any retirement benefit or occupational pension schemes.

### **Authorisations**

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Borrower Facility Agent of,
  - any Authorisation required under any law or regulation of its jurisdiction of incorporation to:
    - (i) enable it to perform its obligations under the Transaction Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Transaction Document; or
    - (ii) own its assets and carry on its business as it is being conducted.

### **Compliance with laws**

Each Obligor shall comply in all respects with all laws and regulations to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

Each Obligor shall obtain and comply with and maintain in force any Authorisation required to own its assets and carry on its business as it is being conducted

### **Negative pledge**

“**Quasi-Security**” means an arrangement or transaction described below.

No Obligor shall create or permit to subsist any Security over any of its assets.

No Transaction Obligor shall:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

The above does not apply to any Security or (as the case may be) Quasi-Security, listed below:

- (a) the Transaction Security; or
- (b) any lien arising by operation of law; or
- (c) arising in the ordinary course of trading.

### **Disposals**

No Transaction Obligor shall enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to dispose of all or any part of any asset.

The restriction on disposals contained within the Loan does not apply to any disposal:

- (a) of a Property or the shares in a Borrower (see below);
- (b) of cash by way of a payment out of an Account in accordance with the Borrower Facility Agreement; or
- (c) made in the ordinary course of trading of any asset subject to the floating charge created under a Security Document;
- (d) obsolete assets which have outlasted their useful life; or
- (e) made with the prior written consent of the Borrower Facility Agent (acting on the instructions of the Majority Lenders).

A Transaction Obligor may dispose of its Property or its shares in a Borrower if:

- (a) no Event of Default is continuing or would result from that disposal;
- (b) either: (A) that disposal is on arm's length terms to an unrelated party; or (B) that disposal is made at market value, based on a new Valuation dated no more than 10 Business Days prior to the disposal (such disposal in this (B) being a "**Market Value Disposal**") and following any such Market Value Disposal there would not be any outstanding Default or outstanding Cash Trap Trigger;
- (c) the net disposal proceeds are not less than the aggregate of:
  - (i) the higher of (i) 110% (or, in the case of a Market Value Disposal, 120%) of the Allocated Loan Amount of that Property, (ii) an amount required to achieve a Loan to Value of 60%; and
  - (ii) an amount determined by the Borrower Facility Agent to provide for prepayment fees, break costs and any other amount that is or will become due and payable in accordance with the Borrower Facility Agreement as a result of the application of the net disposal proceeds in prepayment of the Loans; and
- (d) each of the Historical Interest Cover and the Projected Interest Cover in respect of the Properties that would remain following the disposal is at least at 200%.

In the case of a sale of shares in a Borrower, the Transaction Obligors must procure that the related Disposal Proceeds are applied immediately in accordance with the mandatory prepayment provisions. In any other case, the Transaction Obligors must ensure that the Disposal Proceeds are immediately applied either:

- (a) in accordance with mandatory prepayment, including for the avoidance of doubt any break costs; or
- (b) paid into the Disposals Account for application in accordance with the Disposals Accounts).

For the purposes of general undertakings, "**net disposal proceeds**" means the gross proceeds of any disposal permitted in connection with the disposal of an Obligor's Property or its shares less an amount determined by the Borrower Facility Agent as the reasonable costs and expenses associated with that disposal (which shall, for the avoidance of doubt, include any Tax arising as a result of the disposal).

A Property disposed of, or a Property owned by a Borrower the shares of which are disposed of, will cease to be a Property.

### **Financial Indebtedness**

Unless otherwise agreed by the Lenders, no Obligor may incur or permit to be outstanding any Financial Indebtedness.

The restriction on Financial Indebtedness within the Loan does not apply to:

- (a) any Financial Indebtedness incurred under the Finance Documents;
- (b) any Subordinated Debt; or
- (c) Permitted Indebtedness.

### **Lending and guarantees**

No Obligor may be the creditor in respect of any loan or any form of credit to any person other than another Obligor by way of Subordinated Debt.

No Obligor may give or allow to be outstanding any guarantee or indemnity to or for the benefit of any person in respect of any obligation of any other person or enter into any document under which that Obligor assumes any liability of any other person other than any guarantee or indemnity given under the Finance Documents, save for in respect of (i) any payments made between Obligors under any intercompany loan agreement and (ii) any amounts standing to the credit of the General Account.

### **Merger**

No Obligor shall enter into any amalgamation, demerger, merger or corporate reconstruction without the prior written consent of the Borrower Security Trustee (acting on the instructions of the Majority Lenders).

### **Change of business**

No Obligor may carry on any business other than:

- (a) in the case of the Borrowers' Agent, the ownership of the Borrowers; and
- (b) in the case of each Borrower, the ownership and management of its interests in the Property or Properties in which it has an interest.

The Borrowers' Agent must not have any Subsidiary other than the Borrowers.

### **Acquisitions**

No Obligor may make any acquisition or investment other than with the prior written consent of the Borrower Security Trustee (acting on the instructions of the Majority Lenders) unless in relation to the day to day running and management of the properties and business.

### **Other agreements**

No Obligor may enter into any material agreement other than:

- (a) the Transaction Documents;



- (b) any other agreement expressly allowed under any other term of the Borrower Facility Agreement;
- (c) any agreements required to be entered into as part of the day to day business of that Obligor.

### **Shares, dividends and share redemption**

No Obligor shall issue any further shares or amend any rights attaching to its issued shares.

No Obligor shall, without the consent of the Borrower Facility Agent (acting on the instructions of the Majority Lenders):

- (a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
- (b) repay or distribute any dividend or share premium reserve;
- (c) pay any management, advisory or other fee to or to the order of any of the shareholders of the Borrowers' Agent; or
- (d) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so.

This does not apply to a Permitted Payment.

### **VAT group**

No Obligor may be a member of a value added tax group, other than a group made up solely of Obligors.

### **Taxes**

Each Obligor must pay all Taxes due and payable by it prior to the accrual of any fine or penalty for late payment, unless (and only to the extent that):

- (a) payment of those Taxes is being contested in good faith;
- (b) adequate reserves are being maintained for those Taxes and the costs required to contest them; and
- (c) failure to pay those Taxes is not reasonably likely to have a Material Adverse Effect.

Each Obligor must ensure that its residence for Tax purposes is in the jurisdiction of its incorporation.

### **Ownership**

The Borrowers' Agent must ensure that at all times it legally and beneficially owns and controls the entire share capital of each Borrower.

### **Centre of Main Interests**

For purposes of the Regulation, each Obligor shall not knowingly or deliberately change such Obligor's centre of main interest (as that term is used in Article 3(1) of the Regulation) from its jurisdiction of incorporation to any other jurisdiction, and shall not create an establishment

(as defined in the Regulation) outside such jurisdiction of incorporation, without the consent of the Borrower Security Trustee (acting on the instructions of the Majority Lenders).

### **Central Administration**

Each Obligor shall not knowingly or deliberately change the place of central administration (*administration centrale*) of any Obligor from the place of its registered office (*siège statutaire*) and jurisdiction of incorporation to any other jurisdiction, without the consent of the Borrower Security Trustee (acting on the instructions of the Majority Lenders).

### **PROPERTY UNDERTAKINGS**

#### ***Title***

Each Obligor must exercise its rights and comply in all material respects with any material covenant, stipulation or obligation (restrictive or otherwise) at any time affecting the Properties.

No Obligor may agree to any amendment, supplement, waiver, surrender or release of any covenant, stipulation or obligation (restrictive or otherwise) at any time affecting the Properties subject to, in the case of the Management Companies, any leases.

Each Obligor must promptly take all such steps as may be necessary to enable the Security created by the Security Documents to be registered, where appropriate, at the applicable Land Registry or Companies Register.

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

No Obligor may without the consent of the Borrower Facility Agent (acting on the instructions of the Majority Lenders), which shall not be unreasonably withheld or delayed:

- (a) grant or agree to grant any Occupational Lease, contractual licence or right to occupy a Property (or any part) after the date of the Borrower Facility Agreement (other than any Lease Document under which the annual rental income is less than £150,000 or any referral agreement with a university to enter into block-bookings), unless on commercial and arm's length terms in accordance with established good industry practice;
- (b) agree to any material amendment or variation or any release, waiver, surrender or renunciation in relation to any Occupational Lease save that a surrender will be permitted if the Occupation Lease is completed simultaneously with the surrender on equivalent terms and the rent is no less than 90% of the rent reserved by the surrendered Occupational Lease;
- (c) exercise any right of re-entry, or exercise any option or power to break, determine or extend, or commence forfeiture or irritancy proceedings against any occupational tenant, in respect of any Occupational Lease;
- (d) consent to any assignment or sub-letting or sub-lease of any tenant's interest under any Occupational Lease or (save where required under The Landlord and Tenant (Covenants) Act 1995, insofar as the said Act applies to such Occupational Lease); nor
- (e) agree to any rent reviews, or any concession or reduction of rent, in respect of any Occupational Lease, unless on commercial and arm's length terms in accordance with established good industry practice.

The above shall not apply:

- (a) to the extent the relevant matter is contemplated in or consistent with the Annual Budget;
- (b) if no Default has occurred which has not been remedied or waived; and
- (c) to any grant that is not to a party directly or indirectly connected with an Obligor or sponsor.

Each Obligor shall, if in accordance with normal market practice for a business which is similar to the Business:

- (a) perform all its material obligations under any Occupational Lease and Student Lease;
- (b) in respect of Rental Income:
- (c) promptly and efficiently get in and realise it;
  - (i) not release, exchange, compound, set-off or grant time or indulgence in respect of it; and
  - (ii) not exchange, set-off, compound, factor, discount, sell or otherwise deal with or dispose of it;
  - (iii) serve, duly and promptly, all notices of review of rent under the Occupational Leases; and
  - (iv) (if required by the Borrower Facility Agent following notification from an Obligor and insofar as the Landlord and Tenant (Covenants) Act 1995 applies) serve, duly and promptly, and at all appropriate times a notice on any former tenant under any Occupational Lease or Student Lease under Section 17(2) of the Landlord and Tenant (Covenants) Act 1995 or on any guarantor of any such former tenant under Section 17(3) of that Act.

Any Lease Prepayment Proceeds must be paid into the Deposit Account for application.

Each Obligor must supply to the Borrower Facility Agent each Lease Document, each amendment, supplement or extension to a Lease Document and each document recording any rent review in respect of a Lease Document promptly upon entering into the same, save with respect to Student Leases.

The Obligors must use their reasonable endeavours to find tenants for any vacant lettable space in the Properties with a view to granting a Lease Document with respect to that space.

No Obligor may grant or agree to grant any Lease Document without including in the alienation covenant a provision for the proposed assignor on any assignment to guarantee the obligations of the proposed assignee until that assignee is released as tenant under the terms of the Landlord and Tenant (Covenants) Act 1995.

### ***Intra-Obligor Leases***

No Obligor may agree to any amendment, variation, or any release, waiver, surrender or renunciation, or exercise any break clause, in relation to any Intra-Obligor Lease.

### ***Headleases***

Each Borrower must:

- (a) exercise its rights and comply with its obligations under each Headlease;
- (b) use its reasonable endeavours to ensure that each landlord complies with its obligations under each Headlease; and
- (c) if so required by the Borrower Security Trustee, apply for relief against forfeiture of any Headlease,

in a proper and timely manner.

No Borrower may without the consent of the Borrower Security Trustee (acting on the instructions of the Majority Lenders):

- (a) agree to any material amendment, supplement, waiver, surrender or release of any Headlease;
- (b) exercise any right to break, determine or extend any Headlease;
- (c) agree to any material rent review in respect of any Headlease; or
- (d) do or allow to be done any act as a result of which any Headlease may become liable to forfeiture or otherwise be terminated.

### ***Maintenance***

Each Obligor will use reasonable endeavours to enforce the terms of the Facilities Management Agreements to maintain all buildings, plant, machinery, fixtures and fittings on its Property are in, and maintained in:

- (a) good and substantial repair and condition and, as appropriate, in good working order, in each case appropriate for student accommodation; and
- (b) such repair, condition and order as to enable them to be let in accordance with all applicable laws and regulations; for this purpose, a law or regulation will be regarded as applicable if it is either:
  - (i) in force; or
  - (ii) known over the next twelve months to be coming into force and a prudent property owner in the same business as the Borrower would ensure that its buildings, plant, machinery, fixtures and fittings were in such condition, repair and order in anticipation of that law or regulation coming into force.

### ***Development***

No Borrower may carry out, or allow to be carried out, any demolition, construction, structural alterations or additions, development or other similar operations in respect of any part of its Property. Planning applications by the Borrowers may be made provided that they

do not relate to, and would not result in, any rooms in any of the Properties (currently or in the future used as student accommodation) not being able to be used as student accommodation or otherwise used for a purpose inconsistent with student accommodation.

The restriction on development contained within the Loan shall not apply to:

- (a) the maintenance of the buildings, plant, machinery, fixtures and fittings in accordance with the Transaction Documents; or
- (b) the carrying out of non-structural improvements or alterations which affect only the interior of any building on a Property or are otherwise referred to in the Annual Budget; or
- (c) the carrying out of any works referred to above in relation to which each of the following conditions are satisfied:
  - (i) the Borrowers have in place sufficient committed finance in place to cover the works;
  - (ii) the purpose of the works is consistent with student accommodation (which may, for example, include works in relation to new communal spaces for students);
  - (iii) the works do not result in any room in any of the Properties which are currently, or are at any time in the future, let to students being incapable of letting or otherwise adversely affecting the occupation of any rooms while the works are on-going; and
  - (iv) the works are scheduled to take less than 6 months to complete.

If a Borrower undertakes any works pursuant to (c) above, it will be under an obligation under the terms of the Borrower Facility Agreement to complete such works.

Each Borrower must comply in all respects with all planning laws, permissions, agreements and conditions to which its Property may be subject.

### ***Notices***

Each Borrower must, within 14 days after the receipt by the Borrower of any material application, requirement, order or notice served or given by any public or local or any other authority or any landlord with respect to its Property (or any part of it):

- (a) deliver a copy to the Borrower Security Trustee; and
- (b) inform the Borrower Security Trustee of the steps proposed or required or necessary to be taken to comply with the relevant requirement, order or notice.

### ***Power to remedy***

If a Borrower fails to perform any obligations under the Finance Documents affecting its Property, the Borrower must allow the Borrower Security Trustee or its agents and contractors:

- (a) to enter any part of its Property if reasonably required;
- (b) to comply with or object to any notice served on the Borrower in respect of its Property; and

- (c) to take any action that the Borrower Security Trustee may reasonably consider necessary or desirable to prevent or remedy any breach of any such term or to comply with or object to any such notice.

A Borrower must promptly on request by the Borrower Security Trustee pay the costs and expenses of the Borrower Security Trustee or its agents and contractors incurred in connection with any action taken by it regarding the above.

No Finance Party shall be obliged to account as mortgagee in possession as a result of any action taken regarding the above.

### ***Facility Management***

The Borrowers shall retain (i) Derwent Facilities Management Limited as a Facility Manager in respect of the Properties; and (ii) both Derwent Facilities Management Limited and Student Union Lettings Limited as Facility Managers in respect of the Summit.

No Obligor may:

- (a) appoint any Facility Manager;
- (b) amend, supplement, extend or waive the terms of appointment of a Facilities Management Agreement or the appointment of any other Facility Manager (as approved by the Borrower Facility Agent); or
- (c) terminate the appointment of any Facility Manager,

without the prior consent of, and on terms approved by, the Borrower Facility Agent, provided that the Obligors may at any time except when a Cash Trap Trigger is occurring or would occur, terminate the appointment of an existing Facility Manager and replace it with GL Europe Portfolio Adviser Limited or an entity experienced in providing asset management services provided that the Obligors must give at least 20 Business Days' notice to the Borrower Security Trustee of such replacement.

Each Obligor must ensure that any Facility Manager:

- (a) enters into a duty of care agreement with the Borrower Security Trustee in form and substance satisfactory to the Borrower Facility Agent;
- (b) acknowledges to the Borrower Security Trustee that it has notice of the Loan Security created by the Finance Documents; and
- (c) agrees to pay all net Rental Income received by it into the Rent Account by the 15<sup>th</sup> day of each month without any withholding, set-off or counterclaim and prior to such transfer such monies are held on trust by the relevant Facility Manager in favour of the relevant Management Company or Management Companies.

If a Facility Manager is in default of its obligations under its facilities management agreement and, as a result, an Obligor is entitled to terminate that management agreement, then, if the Borrower Facility Agent so requires, that Obligor must promptly use all reasonable endeavours to:

- (a) terminate the relevant facility management agreement; and
- (b) appoint a new Facility Manager in accordance with the terms of the Borrower Facility Agreement.

## ***Insurances***

The Borrowers' Agent must ensure that at all times from the Closing Date insurances are maintained in full force and effect, which:

- (a) insure each Obligor in respect of its interests in each Property and the plant and machinery on each Property (including fixtures and improvements) for their full replacement value (being the total cost of entirely rebuilding, reinstating or replacing the relevant asset if it is completely destroyed, together with all related fees and demolition costs) and to:
  - (i) provide cover against loss or damage by fire, storm, tempest, flood, earthquake, lightning, explosion, impact, aircraft and other aerial devices and articles dropped from them, riot, civil commotion and malicious damage, bursting or overflowing of water tanks, apparatus or pipes and all other normally insurable risks of loss or damage;
  - (ii) provide cover for site clearance, shoring or propping up, professional fees and value added tax together with adequate allowance for inflation;
  - (iii) provide cover against acts of terrorism, including any third party liability arising from such acts;
  - (iv) provide cover for loss of rent (in respect of a period of not less than three years or, if longer, the minimum period required under the Lease Documents) including provision for any increases in rent during the period of insurance; and
- (b) include property owners' public liability and third party liability insurance;
- (c) insure such other risks as a prudent company in the same business as the Obligors would insure; and
- (d) in each case are in an amount, and in form, and with an insurance company or underwriters, acceptable at all times to the Borrower Facility Agent (acting on the instructions of the Majority Lenders), and with a rating at all times no lower than BBB+.

The Borrowers' Agent must procure that the Borrower Security Trustee (as agent and trustee for the Finance Parties) is named as co-insured under each of the insurances (other than public liability and third party liability insurances) (except that this does not apply in the case of the Trinity Property, where such interest for the Borrower Security Trustee will be noted) but without liability on the part of the Borrower Security Trustee or any other Finance Party for any premium in relation to those insurances.

The Borrowers' Agent must procure that the insurances comply with the following requirements:

- (a) each of the insurances must contain:
  - (i) a non-invalidation and non-vitiation clause under which the insurances will not be vitiated or avoided as against any insured party as a result of any circumstances beyond the control of that insured party or any misrepresentation, non-disclosure, or breach of any policy term or condition, on the part of any insured party or any agent of any insured party;

- (ii) a waiver of the rights of subrogation of the insurer as against each Obligor, the Finance Parties and the tenants of each Property; and
  - (iii) a loss payee clause in such terms as the Borrower Security Trustee (acting on the instructions of the Majority Lenders) may reasonably require in respect of insurance claim payments, subject in each case to a £50,000 de minimis threshold, otherwise payable to any Obligor (except that this does not apply to the Trinity Property where the superior landlord of the relevant Borrower's title to the Property is under an obligation to apply all insurance moneys to making good the damage for which the money has been received and in the event of any shortfall in the insurance proceeds to make up any deficiency out of its own monies unless the payment is refused by reason that it is the relevant Borrower's responsibility);
- (b) the insurers must give at least 15 days' notice to the Borrower Security Trustee if any insurer proposes to repudiate, rescind or cancel any insurance, to treat it as avoided in whole or in part, to treat it as expired due to non-payment of premium or otherwise decline any valid claim under it by or on behalf of any insured party and must give the opportunity to rectify any such non-payment of premium within the notice period; and
  - (c) the relevant Obligor must be free to assign all amounts payable to it under each of its insurances and all its rights in connection with those amounts in favour of the Borrower Security Trustee.

The Borrowers' Agent must use all reasonable endeavours to ensure that the Borrower Facility Agent receives copies of the insurances, receipts for the payment of premiums for insurance and any information in connection with the insurances and claims under them which the Borrower Facility Agent (acting on the instructions of the Majority Lenders) may reasonably require.

The Borrowers' Agent must promptly notify the Borrower Facility Agent of:

- (a) the proposed terms of any future renewal of any of the insurances;
- (b) any amendment, supplement, extension, termination, avoidance or cancellation of any of the Insurances made or, to its knowledge, threatened or pending;
- (c) any claim, and any actual or threatened refusal of any claim, under any of the insurances; and
- (d) any event or circumstance which has led or may lead to a breach by any Obligor of its obligation in connection with insurances.

Each Obligor must:

- (a) comply with the terms of the insurances;
- (b) not do or permit anything to be done which may make void or voidable any of the insurances; and
- (c) comply with all reasonable risk improvement requirements of its insurers.

The Borrowers' Agent must ensure that:

- (a) each premium for the insurances is paid promptly and in any event prior to the commencement of the period of insurance for which that premium is payable; and



- (b) all other things necessary are done so as to keep each of the insurances in force.

If an Obligor fails to comply with its insurance obligations, the Borrower Facility Agent (acting on the instructions of the Majority Lenders) may, at the expense of the Obligors effect any insurance and generally do such things and take such other action as the Borrower Facility Agent (acting on the instructions of the Majority Lenders) may reasonably consider necessary or desirable to prevent or remedy any breach of this obligation.

- (a) Except as provided below, the proceeds of any insurances must, if the Borrower Facility Agent (acting on the instructions of the Majority Lenders) so requires, be paid into the Deposit Account for application in accordance with the Deposit Account.
- (b) To the extent required by the basis of settlement under any insurances or under any Lease Document, each Obligor must apply moneys received under any insurances in respect of a Property towards replacing, restoring or reinstating that Property.
- (c) The proceeds of any loss of rent insurance will be treated as Rental Income and applied in such manner as the Borrower Facility Agent (acting on the instructions of the Majority Lenders) requires to have effect as if it were Rental Income received over the period of the loss of rent.
- (d) Moneys received under liability policies held by an Obligor which are required by that Obligor to satisfy established liabilities of the Obligor to third parties must be used to satisfy these liabilities.

### ***Environmental matters***

Each Obligor must:

- (a) comply and ensure that any relevant third party complies with all Environmental Law;
- (b) obtain, maintain and ensure compliance with all requisite Environmental Permits applicable to it or to a Property; and
- (c) implement procedures to monitor compliance with and to prevent liability under any Environmental Law applicable to it or a Property,

where failure to do so has or is reasonably likely to have a Material Adverse Effect or result in any liability for a Finance Party.

Each Obligor must, promptly upon becoming aware, notify the Borrower Facility Agent of:

- (a) any Environmental Claim started, or to its knowledge, threatened;
- (b) any circumstances reasonably likely to result in an Environmental Claim; or
- (c) any suspension, revocation or notification of any Environmental Permit.

Each Obligor must indemnify each Finance Party against any loss or liability which:

- (a) that Finance Party incurs as a result of any actual or alleged breach of any Environmental Law by any person; and
- (b) would not have arisen if a Finance Document had not been entered into,

unless it is caused by that Finance Party's gross negligence or wilful misconduct.

***Inspection***

Each Obligor must procure that the Borrower Facility Agent shall have the right to inspect the Properties at any time subject to prior consultation with the Borrowers' Agent.

***Use***

Each Property shall only be used for student accommodation, vacation lettings residential (on assured shorthold tenancies) and retail, leisure and ancillary matters (including, serviced apartments, events, conferences and educational training or similar purposes) permitted by any planning permission.

Without the prior written consent of the Borrower Facility Agent (acting on the instructions of the Majority Lenders), there shall be no application for any material change of use of the Properties.

***Break clauses***

None of the Obligors shall exercise any break clause under an Intra-Obligor Lease or an Occupational Lease so long as any amount remains outstanding under the Loan.

***Events of Default***

Each of the events or circumstances set out below is an Event of Default under the Loan (a **Loan Event of Default**) save for Acceleration (see description below).

***Non-payment***

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by:
  - (i) administrative or technical error; or
  - (ii) a Disruption Event; and
- (b) payment is made within:
  - (i) 3 Business Days of its due date in the case of administrative or technical error; or
  - (ii) 5 Business Days of its due date in the case of a Disruptive Event.

***Financial covenants***

An Event of Default occurs under the Loan where any of the Financial Covenants (see description above) are not satisfied.

***Other obligations***

An Obligor does not comply with any term of:

- (a) Notification of default;

- (b) General Undertakings; or
- (c) Occupational Leases, Headleases or Insurances.

A Transaction Obligor does not comply with any provision of the Finance Documents (other than those referred to in non-payment, financial covenants and other obligations).

No Event of Default, other than any non-payment will occur if the failure to comply is capable of remedy and is remedied within 15 Business Days of the earlier of:

- (a) the Borrower Facility Agent giving notice to the Borrowers' Agent; and
- (b) any Transaction Obligor becoming aware of the failure to comply.

### ***Misrepresentation***

Any representation or statement made or deemed to be made by a Transaction Obligor in the Finance Documents or any other document delivered by or on behalf of any Transaction Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

### ***Cross default***

Any Financial Indebtedness of any Obligor is not paid when due nor within any originally applicable grace period.

Any Financial Indebtedness of any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

Any commitment for any Financial Indebtedness of any Obligor is cancelled or suspended by a creditor of any Obligor as a result of an event of default (however described).

Any creditor of any Obligor becomes entitled to declare any Financial Indebtedness of any Obligor due and payable prior to its specified maturity as a result of an event of default (however described).

### ***Insolvency***

A Transaction Obligor:

- (a) is unable or admits inability to pay its debts as they fall due;
- (b) is deemed to, or is declared to, be unable to pay its debts under applicable law;
- (c) suspends or threatens to suspend making payments on any of its debts; or
- (d) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding any Finance Party in its capacity as such) with a view to rescheduling any of its indebtedness.

The value of the assets of any Transaction Obligor is less than its liabilities (taking into account contingent and prospective liabilities).

A moratorium is declared in respect of any indebtedness of any Transaction Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

### ***Insolvency proceedings***

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Transaction Obligor;
- (b) a composition, compromise, assignment or arrangement with any creditor of any Transaction Obligor;
- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Transaction Obligor or any of its assets; or
- (d) enforcement of any Security over any assets of any Transaction Obligor,

or any analogous procedure or step is taken in any jurisdiction.

This shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 21 days of commencement.

### ***Creditors' process***

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a Transaction Obligor and is not discharged within 21 days.

### ***Cessation of business***

An Obligor ceases, or threatens to cease, to carry on business except as a result of any disposal allowed under the terms of the Borrower Facility Agreement.

### ***Unlawfulness and invalidity***

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents or any Transaction Security created or expressed to be created or evidenced by the Security Documents ceases to be effective or any subordination created under a subordination agreement is or becomes unlawful.

Any obligation or obligations of any Obligor under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Finance Parties under the Finance Documents.

### ***Repudiation and rescission of agreements***

A Transaction Obligor (or any other relevant party) rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or any of the Transaction Security or evidences an intention to rescind or repudiate a Finance Document or any Transaction Security.

### ***Major damage***

Any part of any Property is destroyed or damaged and in the opinion of the Lender, taking into account the amount and timing of receipt of the proceeds of insurance effected in accordance with the terms of the Borrower Facility Agreement, the destruction or damage has or will have a Material Adverse Effect.

### ***Headlease***

Forfeiture or irritancy proceedings with respect to a Headlease are commenced or a Headlease is forfeited or irritated.

### ***Material adverse change***

Any event or circumstance occurs which gives rise to a Material Adverse Effect.

### ***Breach of Tax Deed of Covenant***

There is a breach of the Tax Deed of Covenant by an Obligor which gives rise to a Material Adverse Effect.

### ***Acceleration***

On and at any time after the occurrence of an Event of Default which is continuing the Borrower Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrowers' Agent:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Borrower Facility Agent on the instructions of the Majority Lenders; and/or
- (d) exercise or direct the Borrower Security Trustee to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

### ***Property Adviser***

Provided that a Property Adviser Cash Trap Trigger or a LTV Cash Trap Trigger is continuing for twelve months or more, the Borrower Security Trustee on the written instructions of either:

- (a) the holder or holders of at least 20 per cent of the outstanding principal balance of the Loan; or
- (b) the Majority Lenders,

may appoint an independent property adviser (the "**Property Adviser**") to review the Annual Budget and the Business Plan and to highlight any material objections and/or issues to the Obligors and the Borrower Security Trustee and to make recommendations for any changes to the Property Portfolio in line with good industry practice including any acquisitions, disposal of developments.

The Borrower Security Trustee will receive any such information from the Property Adviser for information only and will not be required to take any action in respect of such information.

The Obligors will not acquire or dispose of any Properties (or any part thereof) or apply any monies to enhance the Properties (by way of construction, structural alterations or additions, development or similar operations) without the prior consent of the Property Adviser (such consent not to be unreasonably withheld or delayed and acting in accordance with good

industry practice, provided that the Obligors may apply any monies to enhance the Properties without the prior consent of the Property Adviser in the case of maintenance in respect of which a failure to carry out such maintenance would be detrimental to the lettability and rental income of the business.

### ***Partial Payments***

If the Borrower Facility Agent or the Borrower Security Trustee receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Borrower Facility Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

- (a) *first*, in or towards payment pro rata of any unpaid costs, fees, expenses, indemnity payment and other amount owing to the Borrower Facility Agent, the Borrower Security Trustee, any receiver or any delegate under the Finance Documents;
- (b) *secondly*, in or towards payment pro rata of any accrued interest and fees due but unpaid to the lenders under the Borrower Facility Agreement;
- (c) *thirdly*, in or towards payment pro rata of:
  - (i) any principal due but unpaid to the lenders under the Borrower Facility Agreement; and
  - (ii) any payments as a result of termination or closing out due but unpaid to the Cap Provider under the Cap Agreement (or other cap agreements); and
- (d) *fourthly*, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

The Borrower Facility Agent or the Borrower Security Trustee shall, if so directed by all the lenders and the Cap Provider or cap counterparties, vary the order of (b), (c) and (d) set out above but shall not amend (a) other than with the consent of the Borrower Facility Agent and the Borrower Security Trustee. Any such variation may include the re-ordering of obligations set out in any such paragraph.

The above will override any appropriation made by an Obligor.

### **The Security Documents**

To provide security for their obligations under the Borrower Facility Agreement and the other Finance Documents, the Obligors and, in relation to the Share Pledge Agreement, GL Europe RE1 Bondco Holdings S.à.r.l., have entered into the Security Documents with the Borrower Security Trustee.

Under the terms of the Borrower Facility Agreement, the Borrower Security Trustee holds the security created by the Security Documents (the "**Loan Security**") on trust for the Finance Parties (which include the Issuer).

The security created by the Security Documents will become enforceable if a Loan Event of Default occurs and the Borrower Facility Agent has exercised the rights available to it following the occurrence of a Loan Event of Default, whether pursuant to the instructions of the Majority Lenders or otherwise. At any time after such security has become enforceable, the Borrower Security Trustee may in its absolute discretion enforce all or any part of the security in any manner it sees fit or as the Majority Lenders direct.

Any moneys received, realised or recovered by or on behalf of the Borrower Security Trustee (or any receiver) after the security created by the Security Documents has become enforceable is required to be applied, firstly, towards payment of remuneration of and costs and expenses incurred by any receiver or the Borrower Security Trustee, then towards payment or provision for the secured liabilities of the Borrowers in accordance with the terms of the Borrower Facility Agreement, then any surplus to the Borrowers or other person entitled to it.

### **Borrower Security Trust Deed**

Pursuant to the terms of the Borrower Security Trust Deed, the Obligors will grant fixed and floating security in favour of the Borrower Security Trustee over all of the Obligors' assets and security including, *inter alia*:

- (a) a first legal mortgage over the Borrowers' rights to the Properties;
- (b) (to the extent that they are not the subject of a mortgage under item (a) above) a first fixed charge over the Borrowers' interest in the Properties;
- (c) a first fixed charge all of the Obligors' rights, title and interest in all their shares, stocks, debentures, bonds or other securities and investments owned by the Obligors;
- (d) a first fixed charge all plant and machinery owned by the Obligors and their interest in any plant or machinery in their possession;
- (e) a first fixed charge all of their rights, title and interests in respect of any amount from time to time standing to the credit of any account (including any account contemplated by the Borrower Facility Agreement or the Borrower Security Trust Deed) held (whether in the name of the relevant Obligor or otherwise) with any person and the debt represented by them;
- (f) an assignment by way of security, subject to a proviso for re-assignment on redemption, all of their rights under any insurance policy, including in respect of insurance proceeds from loss of rent claims;
- (g) an assignment by way of first fixed security, subject to a proviso for re-assignment on redemption, all of their rights, title and interests under each Lease Document, in respect of all Rental Income, under any guarantee of Rental Income contained in or relating to any Lease Document, in respect of any other income (other than Rental Income) in respect of the Properties, under any Asset Management Agreement, under any agreement relating to the purchase of the Property by the Borrowers, under any performance guarantees and contracted collateral warranties in respect of the Properties and under any other agreement to which they are a party except to the extent they are subject to any fixed security created under any other term of the Borrower Security Trust Deed.

The Borrower Security Trust Deed is governed by, and is to be construed in accordance with, English law.

### **Account Pledge Agreement**

Pursuant to the terms of the Account Pledge Agreement, the Borrowers will grant a first priority pledge (*gage de premier rang*) to the Borrower Security Trustee over its present and future rights, title, interest and actions against RBS Global Banking (Luxembourg) S.A. in respect of the Rent Accounts, the General Account, the Deposit Account, the Disposals Account, the Cash Trap Account and the Cure Account (the "**Borrower Accounts**") and all

credit balances from time to time on the Borrower Accounts, together with the interest accruing on such balances from time to time and including any ancillary rights and claims associated with the Borrower Accounts, as security for the full payment, discharge and due performance of the Secured Liabilities.

The Account Pledge Agreement is governed by Luxembourg law.

### **Share Pledge Agreement**

Pursuant to the terms of the Share Pledge Agreement, GL Europe RE1 Bondco Holdings Sarl will grant a first priority pledge (*gage de premier rang*) to the Borrower Security Trustee over 100% of the issued share capital of the Borrowers and all of its rights and interests in respect of any dividend (whether in cash, securities or otherwise), bonus shares or any other type of distribution, return or right in respect of any of the shares in the Borrowers (whether by way of redemption, bonus, preference, option, substitution, conversion, disposition or otherwise).

The Share Pledge Agreement is governed by Luxembourg law.

### **Subordination Deed**

Pursuant to the terms of the Subordination Deed, the Borrowers and GL Europe RE1B Holdings S.à.r.L (the "**Subordinated Creditor**") will agree with the Borrower Security Trustee to subordinate the aggregate of all monies and liabilities of whatever nature (whether actual or contingent, as principal or surety) which are now or may at any future time be outstanding or otherwise due from the Borrowers to the Subordinated Creditors on any account or in any manner (the "**Subordinated Debt**") to the secured liabilities under the Borrower Facility Agreement and, all monies and liabilities of whatever nature which may be outstanding or otherwise due from the Borrowers to the secured parties under the Borrower Facility Agreement.

The Subordination Deed is governed by, and is to be construed in accordance with, English law.

### **Duty of Care Letters**

Pursuant to the terms of the Duty of Care Letters, the Derwent Facilities Manager, the Sulets Facilities Manager, U.S. Bank Trustees Limited and the relevant Management Companies respectively confirmed that:

- (a) the relevant Management Company will remain liable under the relevant Facilities Management Agreement to perform all the obligations assumed by it under the relevant Facilities Management Agreement;
- (b) none of U.S. Bank Trustees Limited, its agents, any receiver or any other person will at any time be under any obligation or liability to the relevant Facility Manager or the relevant Management Company or the agent, as applicable, under or in respect of the relevant Facilities Management Agreement or the relevant Duty of Care Letter;
- (c) the Management Company will remain entitled to exercise all its rights, powers and discretions under the relevant Facilities Management Agreement, unless and until the relevant Facility Manager or agent receives notice of an Event of Default under the Borrower Facility Agreement from the Borrower Security Trustee. So long as such event of default is continuing, all the rights, powers and discretions of the relevant Management Company under the relevant Facilities Management Agreement will be exercisable by, and notices must be given to, the Borrower Security Trustee or as it directs.



The Duty of Care Letters are governed by, and are to be construed in accordance with, English law.

## THE TAX DEED OF COVENANT

The obligations of each member of the Issuer, Borrower and the Management Companies are supported by a tax deed of covenant (the "**Tax Deed of Covenant**" between the Issuer, the Borrowers and the Management Companies, GL Europe RE1 Bondco Holding S.à.r.l. and GL Europe Holdings II S.à.r.l., the Borrower Security Trustee, the Issuer Security Trustee and the Note Trustee to be entered into on or prior to the Closing Date.

Pursuant to the terms of the Tax Deed of Covenant, *inter alia*:

- (a) each of the Borrowers and Management Companies make certain representations, warranties and covenants in relation to their tax affairs;
- (b) GL Europe Holdings II S.à.r.l. represents, warrants and covenants in relation to its and its subsidiaries' tax affairs insofar as they may impact on the Borrowers or Management Companies; and
- (c) the Issuer makes certain representations, warranties and covenants in relation to its tax affairs.

These representations, warranties and covenants are made in favour of U.S. Bank Trustees Limited in its capacities as Borrower Security Trustee, Issuer Security Trustee and Note Trustee and in relation to the Issuer representations, warranties and covenants only, also in favour of GL Europe RE1 Bondco Holdings S.à.r.l., the Borrowers and the Management Companies. The parties to the Tax Deed of Covenant agree to procure that the affairs of the Borrowers, the Management Companies and the Issuer are conducted so that each is treated for tax purposes in accordance with the terms of the Tax Deed of Covenant; the primary objective being to support the expected tax position of the parties, including that they remain tax resident only in their place of incorporation and prevent any unforeseen tax from arising.

The Tax Deed of Covenant is governed by, and is to be construed in accordance with, English law.

## THE SERVICING ARRANGEMENTS

### The Servicing Agreement

Pursuant to the terms of the Servicing Agreement, each of the Issuer, the Issuer Security Trustee, the Borrower Facility Agent and the Borrower Security Trustee will appoint the Servicer and the Special Servicer to act as their agents and to exercise all of their respective rights, powers and discretions in relation to the Loan, the Loan Security and the Finance Documents. In addition, the Issuer will appoint the Servicer and the Special Servicer to act as its agents to perform certain services in relation to the Transaction Documents. The appointments by the Issuer are for its benefit and for the benefit of the Noteholders.

None of the Borrower Facility Agent, the Borrower Security Trustee or the Issuer Security Trustee are responsible for (a) the decision to appoint the Servicer and the Special Servicer or (b) the actions of the Servicer and the Special Servicer pursuant to the Servicing Agreement.

### The Servicing Standard

Each of the Servicer and the Special Servicer will be required to exercise all rights, powers and discretions relating to the Loan and the Loan Security which have been delegated to it by the Issuer, the Borrower Security Trustee, the Borrower Facility Agent and the Issuer Security Trustee and all other services to be provided by it under the Servicing Agreement, including with respect to the Transaction Documents, in accordance with and subject to following requirements (the "**Servicing Standard**"):

- (a) all applicable laws and regulations;
- (b) the terms of the Finance Documents;
- (c) the terms of the Servicing Agreement;
- (d) in the best interests and for the benefit of the Issuer using reasonable judgment and as determined in good faith by the Servicer or the Special Servicer (as the case may be); and
- (e) to a standard of care which is the higher of:
  - (i) the standard of care and with the same skill, care and diligence it applies to servicing similar loans for third parties; and
  - (ii) the standard of care which it applies when it services commercial mortgage loans beneficially owned by it and/or its Affiliates,

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage servicers servicing commercial mortgage loans which are similar to the Loan with a view to the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Loan and the Loan Security and the maximisation of recoveries in respect of the Loan on a present value basis (the discount rate applicable to the present value basis being the GBP swap rate closest to the expected timing of the relevant recovery or amortisation profile by reference to the Bloomberg Screen BTMM UK Page under the heading "LIBOR" (or if a required swap rate does not appear on such screen, such required swap rate will be determined by the Servicer or, as applicable, the Special Servicer in a commercially reasonable manner)).

In the event that there is a conflict between any of the requirements set forth in items (a) to (d) above, the Servicer or, as applicable, the Special Servicer, will be required to apply such

requirements in the order of priority in which they appear. In applying the Servicing Standard, neither the Servicer nor the Special Servicer will be permitted to have regard to:

- any fees or other compensation to which the Servicer or Special Servicer may be entitled,
- any relationship the Servicer or Special Servicer or any of their respective affiliates may have with the Borrowers or any affiliate of the Borrowers or any party to the transactions entered into in connection with the issue of the Notes;
- any retainer, fee arrangement or other relationship conferring an economic benefit with any person appointed by it to provide any services or advice in connection with the Servicing Agreement; and/or
- the ownership of any of the Notes by the Servicer or Special Servicer or any of their respective affiliates.

### **Enforcement rights of Noteholders**

In accordance with the Contracts (Rights of Third Parties) Act 1999, the Noteholders acting collectively will be permitted, following the passing of an Extraordinary Resolution or an Ordinary Resolution (as applicable) approving the same, to enforce the rights of the Noteholders against the Servicer and/or the Special Servicer in the event that such Noteholders suffer a loss on the Notes as a result of a breach by the Servicer and/or the Special Servicer, as applicable, of their obligations under the Servicing Agreement.

No individual Noteholder will be permitted to bring or pursue any claim against the Servicer and/or the Special Servicer, as applicable, unless such Noteholder holds sufficient Notes to pass an Extraordinary Resolution or an Ordinary Resolution (as applicable) unilaterally.

### **Role of the Servicer and Special Servicer**

The terms of the Servicing Agreement will require the Servicer or (where the Loan is a Specially Serviced Loan) the Special Servicer to perform, *inter alia*, the following duties:

- (a) the collection, supervision and monitoring of all payments due under or in connection with the Loan and the Finance Documents;
- (b) the establishment, administration and maintenance of procedures to monitor compliance by the Borrowers with the requirements of the Finance Documents relating to insurance;
- (c) the initiation (where considered appropriate to do so) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Finance Documents;
- (d) the release and discharge of the Loan Security as is required in accordance with the terms of the Finance Documents;
- (e) following the occurrence of a Loan Event of Default, the determination and application of an enforcement strategy in relation to the Loan Security;
- (f) the preparation and delivery of the various reports, including the Servicer Quarterly Report, the Asset Status Report and the Note Maturity Report;
- (g) the retention of and maintenance of the Servicing File and the keeping of full books of account and other records in relation to the Loan;

- (h) the preparation and submission of all applications and requests for approvals, authorisations, consents and licences requested by the Issuer insofar as it relates to the duties to be performed by the Servicer or the Special Servicer;
- (i) the initiation (in consequence of any proposed consent, waiver or modification to a Finance Document) of or, where requested by any other relevant party, the response to any request for consents, modifications, waivers or amendments relating to the Transaction Documents;
- (j) the exercise of the rights of the Issuer under the Transaction Documents if the Servicer becomes aware that the Issuer Account Bank, the Agent Bank, the Cash Manager, any Paying Agent, the Registrar or the Issuer Corporate Services Provider is not performing its obligations;
- (k) conducting all communications and dealings with the Borrowers in relation to all matters concerning the Loan and the Loan Security; and
- (l) upon request, providing copies of the Finance Documents and the Transaction Documents to any person (including in electronic form).

**"Servicing File"** means, with respect to the Loan, the original or copies of, inter alia, the Finance Documents (and all amendments and supplements thereof and any other documents relating thereto), any insurance policy relating to the Properties, the Initial Valuations and environmental reports relating to the Properties and all books of account and any other documents, papers, records, registers, correspondence and other information (including records stored in electronic form) relating to the Loan, the Loan Security and the Finance Documents.

### **Retained Services**

Each of items (a), (b), (g) (in relation to the preparation and publishing of the Servicer Quarterly Report and the conducting of the annual review), (h) (in relation to the keeping of full books of account and other records in relation to the Loan), (i), (k) and (l) above will, inter alia, constitute **"Retained Services"** which the Servicer will be required to continue to provide notwithstanding the Loan becoming a Specially Serviced Loan (see the section entitled *"- Special Servicing"*). The duties of the Special Servicer will not include the provision of the Retained Services.

Certain of the duties of the Servicer and the Special Servicer are described in more detail below. References to the Loan include the Loan for such time as it is a Specially Serviced Loan, as applicable.

### **Asset Status Report**

If a Special Servicer Transfer Event occurs the Special Servicer will prepare an Asset Status Report with respect to the Loans and the Properties not later than 60 days after the occurrence of such Special Servicer Transfer Event (the **"Asset Status Report"**).

The Asset Status Report shall include:

- (a) a description of the status of the Loans and the Properties, any strategy with respect to the same and any negotiation with the Borrowers or other Obligors;
- (b) a discussion of the general legal and environmental considerations reasonably known to the Special Servicer, consistent with the Servicing Standard, that are applicable to the exercise of remedies under the Loans and to the enforcement of the Loans and the Loan Security;

- (c) whether external legal counsel has been retained by the Special Servicer;
- (d) a consideration of the effect on net present value (with the applicable discount rate to such present value being the GBP swap rate closest to the expected timing of the relevant recovery) of the various courses of action with respect to the Loans including, without limitation, work-out of the Loans and/or the Loan Security;
- (e) the most current rent schedule and income or operating statement available for the Properties;
- (f) a summary of the Special Servicer's recommended actions and strategies with respect to the Loans which, subject to the terms of the Borrower Facility Agreement, shall be the course of action that the Special Servicer has determined would maximise recovery on the Loans on a net present value basis (with the applicable discount rate to the present value basis being the GBP swap rate closest to the expected timing of the relevant recovery);
- (g) the latest Valuations of the Properties, together with the assumptions used in the calculation thereof; and
- (h) such other information as the Special Servicer deems relevant in light of the Servicing Standard.

#### **Transfers and calculations by the Servicer**

The Servicer will be required to calculate and procure the withdrawal from the relevant Borrower Account of amounts due on each Loan Payment Date from the Borrowers to the Issuer under the terms of the Borrower Facility Agreement.

The Servicer will be required to deposit any amount withdrawn by it from the Borrower Accounts into the Issuer Transaction Account.

The Servicer will as permitted by and in accordance with the terms of the Borrower Facility Agreement (as agent for the Issuer and the Issuer Security Trustee) collect, supervise and monitor all payments due under or in connection with the Loan and the Finance Documents.

The Servicer will be required to invoice to the Borrowers (promptly as they arise) the full amount of all costs, expenses, indemnities and reimbursements which are payable by the Borrowers to the Issuer, the Borrower Security Trustee or the Borrower Facility Agent under the Finance Documents.

The Servicer will be required to review on a monthly basis the ratings by S&P of the banks which hold the accounts established and maintained pursuant to the Borrower Facility Agreement and as soon as practicable and, in any event within five (5) Business Days of the date of such review, notify the Borrowers, the Borrower Facility Agent and the Borrower Security Trustee of any change in such ratings.

#### **Modifications, Waivers, Amendments and Consents in relation to the Finance Documents**

The Servicer or, as applicable, the Special Servicer will be responsible for responding to or otherwise considering requests by the Borrowers or any other relevant entity for consents, modifications, waivers or amendments relating to the Finance Documents and will be permitted to initiate any request for consents, modifications, waivers or amendments relating to the Finance Documents if it considers it appropriate to do so (acting in accordance with the Servicing Standard).

The Servicer or, as applicable, the Special Servicer will be permitted (but will not be obliged) to agree to any such request and initiate any such request if the following conditions are satisfied:

- (a) no Note Acceleration Notice has been given by the Note Trustee which remains in effect and the Issuer Security Trustee has not taken steps to enforce the Issuer Security at the date on which the relevant consent, modification, waiver or amendment is agreed;
- (b) the Issuer will not be required to make a further advance of principal (other than in relation to a further advance of monies raised in connection with an issue of Additional Notes, in connection with which, for the avoidance of doubt, the Servicer will be permitted to agree amendments or modifications);
- (c) the effect of such consent, modification, waiver or amendment would not be to extend the Loan Final Maturity Date; and
- (d) following such consent, modification, waiver or amendment, the Loan Security will continue to include a full first ranking legal mortgage or charge or equivalent over the legal and/or beneficial interest (as applicable) in the Properties or other security satisfactory to the Servicer or the Special Servicer has been obtained; and
- (e) the consent, modification, waiver or amendment would not adversely affect the payments or protections afforded to, or increase the scope of the duties imposed upon the Issuer Security Trustee, the Note Trustee, the Noteholders, the Borrower Facility Agent and/or the Borrower Security Trustee under the Finance Documents.

The Servicer or, as applicable, the Special Servicer will be permitted to agree to any request by the Borrowers to provide a consent if the provisions of the relevant Finance Document require such consent to be granted subject to certain conditions being satisfied and further provided that the Servicer or the Special Servicer, as applicable, acting in accordance with the Servicing Standard are satisfied that the relevant conditions have been met (the views of the Servicer or, as applicable, the Special Servicer prevailing in the event of a conflict).

Notwithstanding the above, the Servicer or, as applicable, the Special Servicer may agree to any proposed modification of or amendment to the terms of the Finance Documents in order to cure any ambiguity or mistake therein or correct or supplement any provisions therein which may be inconsistent with any other provisions therein provided that, in each case, to do so would be in accordance with the Servicing Standard and any such change would not be materially prejudicial to the interests of the Noteholders.

### **Power to Raise Funds**

Each of the Servicer and the Special Servicer, as applicable, may raise funds on behalf of the Issuer from third parties, and cause such funds and the cost of such funds to be reimbursed in priority to the Notes, in order to fund expenses relating to preserving the rights and interest of the Issuer, as lender, with respect to its interest in the Loan and the Loan Security but only to the extent that the Issuer is unable to fund such expenses by drawing on any other resources available to it. Such right to raise funds includes any rights of the Issuer, as lender, to authorise any administrator (or equivalent) of the Borrowers and the other Obligors to raise funds in order to preserve the value or permit the continued operation of the Properties.

In determining whether to cause any such funds to be raised, the Servicer or the Special Servicer, as applicable, must determine that:

- (a) raising such amounts would be consistent with the Servicing Standard; and

- (b) it would be in the better interest of the Issuer, as lender, that such amounts were raised as opposed to such amounts not being raised, taking into account the relevant circumstances, which will include, but not be limited to, the related risks that the Issuer would be exposed to if such amounts were not raised and whether any such amounts would ultimately be recoverable from the Obligors.

### **Enforcement of the Loan Security**

Following the occurrence of a Loan Event of Default, the Servicer or, as applicable, the Special Servicer will be required to determine the optimal strategy to maximise recoveries under the Loan in accordance with the Servicing Standard (which strategy may include commencing enforcement of the Loan Security). Following a Special Servicing Transfer Event, such strategy may also include the sale by the Special Servicer of the interests of the Issuer in the Loan provided that, *inter alia*:

- (a) such sale is required in order for the Special Servicer to comply with the Servicing Standard; and
- (b) notice of the intention to sell the Loan is delivered to the Issuer, the Borrower Security Trustee, the Borrower Facility Agent and the Issuer Security Trustee.

The purchase price received by the Issuer for the sale of the Loan will be required to be treated as the proceeds of enforcement of the Loan Security and will be required to be allocated in accordance with the priority of payments that would have applied to Loan Security enforcement proceeds received pursuant to the Finance Documents.

Upon the Special Servicer determining that it is unlikely that further Liquidation Proceeds or other amounts will be received or recovered in respect of the Loan, the Special Servicer will be required to make a Final Recovery Determination and to notify the amount thereof to the Servicer, the Issuer, the Issuer Security Trustee and the Cash Manager.

A "**Final Recovery Determination**" means a determination by the Special Servicer that there has been a recovery of all Liquidation Proceeds and other amounts that, in the Special Servicer's judgment will ultimately be recoverable with respect to the Loan, such judgment to be exercised in accordance with the Servicing Standard.

The Servicer will not have any right or the obligation to arrange for the sale of the Loan or the Loan Security on behalf of the Issuer.

### **Reporting**

#### *Servicer Quarterly Reports*

Pursuant to the terms of the Servicing Agreement, the Servicer will be required to prepare a report (the "**Servicer Quarterly Report**") with, *inter alia*, the following information in respect of each Loan Interest Period and the payments made by the Issuer on the corresponding Note Payment Date:

- (a) "*CMSA E-IRP Loan Set-up File*" setting forth, among other things, the majority of loan-level information including, cut-off balance, original mortgage rate, maturity date and general payment information;
- (b) "*CMSA E-IRP Loan Periodic Update File*" setting forth, among other things, quarterly remittances on the Loan as well as the tracking of both scheduled and unscheduled payments on the Loan;



- (c) "*CMSA E-IRP Property File*" setting forth, among other things, information regarding the Properties including, property name, address and identification number;
- (d) "*CMSA E-IRP Servicer Watchlist Criteria and Servicer Watchlist File*" setting forth, among other things, details of any event that would cause the Loan to be included on the servicer watchlist;
- (e) "*ECB Loan Level Data Reporting Template for CMBS – November 2013*" other than the information under the tab referred to as "bond information";
- (f) "*Bank of England Loan Level Data – Reporting Template for standalone CMBS*";
- (g) a report detailing covenant compliance following delivery at the relevant time of a Compliance Certificate pursuant to the terms of the Borrower Facility Agreement;
- (h) the payments made or to be made by the Issuer on the corresponding Note Payment Date (expense items to be individually itemised not grouped together);
- (i) if the Loan is a Specially Serviced Loan, the actions taken by the Special Servicer in relation to the Loan during the previous Note Interest Period;
- (j) if relevant, details of the disposal of any Property and any other information that is deemed to be material in respect of any Property to the extent such information is available to the Servicer or Special Servicer, as the case may be, as a direct result of performing their express duties under the Servicing Agreement;
- (k) if relevant, the original and revised terms, as applicable, of the Loan, as of the Closing Date and as of the related Loan Interest Period on the Loan Payment Date immediately following any modification of the Loan;
- (l) if relevant, the amount of Liquidation Proceeds and liquidation expenses in connection with the liquidation of the Loan on the Loan Payment Date following a liquidation of the Loan; and
- (m) the email address of the Servicer to which requests for copies of the Finance Documents and the Transaction Documents may be made.

The reports identified in items (a) to (d) above (together, the "**CMSA European Investor Reporting Package**") will be required to be in the form prescribed in the standard European Investor Reporting Package published by the Commercial Real Estate Finance Council Europe from time to time (formally and commonly known as the CMSA - Europe Investor Reporting Package (CMSA-Europe E-IRP) (or as modified to take into account any changes for properties located in the United Kingdom) and will be required to be in spreadsheet format appended to the report.

Following the occurrence of a Cash Trap Trigger the Servicer will make available to Noteholders or potential Noteholders, without any need for any proof of noteholding, upon request (to [info@solutus-advisors.com](mailto:info@solutus-advisors.com)), the most recent Valuation.

The Servicer will be required to publish each Servicer Quarterly Report on the Luxembourg Stock Exchange and on Bloomberg or, if Bloomberg is not available, such other online information source accessed by CMBS investors which is available for publication of reports similar to the Servicer Quarterly Report as determined by the Servicer acting reasonably. The Servicer will be required to aim to publish each Servicer Quarterly Report within five Business Days after each Note Payment Date and will be required to publish each Servicer Quarterly Report within ten Business Days after each Note Payment Date.

### *Note Maturity Report*

On or before the date falling twelve months prior to the Final Maturity Date, the Special Servicer will where the Loan remains outstanding and where, in its opinion (acting in accordance with the Servicing Standard), all recoveries then anticipated by the Special Servicer with respect to the Loan are unlikely to provide funds sufficient to pay all outstanding amounts in respect of the Notes on or before the Final Maturity Date, deliver a report (the "**Note Maturity Report**") in draft form to the Noteholders, the Issuer, the Borrower Security Trustee, the Borrower Facility Agent, the Cash Manager, the Issuer Security Trustee, and the Note Trustee as to its proposed strategy to enable the maximisation of recoveries in respect of the Loan.

If required by the Note Trustee, the Special Servicer will be required to attend and be available to speak at any meeting of the Noteholders called by the Note Trustee in accordance with the terms of the Note Trust Deed to discuss the various proposals set forth in the Note Maturity Report.

Promptly following any such meeting, the Special Servicer will be required to finalise the Note Maturity Report (taking into account the discussions at the meeting of Noteholders held in relation thereto) and shall deliver such final Note Maturity Report to the Noteholders, the Issuer, the Borrower Security Trustee, the Borrower Facility Agent, the Cash Manager, the Issuer Security Trustee and the Note Trustee.

If the proposed strategy of the Special Servicer as set forth in the final Note Maturity Report has been approved at a meeting of the Noteholders by way of Ordinary Resolution, the Special Servicer will be required to implement such strategy in accordance with its terms notwithstanding any requirements to act in accordance with the Servicing Standard. If the Note Maturity Report is not so approved, the Special Servicer will be required to arrange for a Receiver to be appointed to realise the Loan Security.

### *Disclosable information*

Subject to the provisions of the Borrower Facility Agreement, for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, if the Servicer or, as applicable, the Special Servicer becomes aware of any information relating to the Loan, the Loan Security or any Property that the Servicer or, as applicable, the Special Servicer reasonably determines is likely to have a material impact on the value of the Loan or any of the Properties and which is not, to the Servicer's or, as applicable, the Special Servicer's knowledge, already publicly available information, to the extent that the Servicer or, as applicable, the Special Servicer has actual knowledge of the same (such information being "**Disclosable Information**"), then where the Servicer or, as applicable, the Special Servicer determines that the same should be disclosed pursuant to the terms of the Servicing Agreement, it will be required to:

- prepare a concise summary of such Disclosable Information and provide such summary to the Issuer for its execution along with a statement as to whether or not the Servicer or, as applicable, the Special Servicer considers that the disclosure of the Disclosable Information would adversely affect negotiations being conducted on behalf of the Issuer in relation to the Loan or the Properties and unless otherwise directed by the Issuer, within one Business Day of receipt, file such executed summary with the Companies Announcement Office at the Luxembourg Stock Exchange (the "**Regulatory Information Service**"); and
- no later than the Business Day following the date of the disclosure to the Regulatory Information Service, publish on Bloomberg and the Luxembourg Stock Exchange or any such information which is disclosed to the Regulatory Information Service.

### *Annual Review*

The Servicer will be required undertake an annual review of the Loan and may conduct more frequent reviews if it has cause for concern as to the ability of the Borrowers to meet their obligations under the Finance Documents. Any such review (annual or otherwise) may, but will not be required to, include an inspection of the Properties and will include an analysis of the cash flow arising from the Properties.

### **Special Servicing**

Each of the following events shall constitute a "**Special Servicing Transfer Event**" in relation to the Loan:

- (a) a payment default on the Loan on the Loan Final Maturity Date;
- (b) any payment on the Loan being more than 30 days overdue;
- (c) the occurrence of certain insolvency events in relation to any of the Borrowers;
- (d) the Servicer or the Special Servicer receiving notice of the enforcement of or realisation on any security arrangement securing the obligations and liabilities of any of the Borrowers in relation to the Loan; and
- (e) any other default occurs under the Borrower Facility Agreement which is not cured within the applicable grace period or which, in the opinion of the Servicer (formed in accordance with the Servicing Standard) is not likely to be cured within 30 days of the occurrence of the relevant default (or, if a cure period applies to such default within 30 days of the end of the applicable cure period) and which would, in the opinion of the Servicer (formed in accordance with the Servicing Standard) be likely to have a material adverse effect on the ability of the Issuer to satisfy its payment obligations in respect of the Notes on a timely basis.

In the event the Servicer determines that a Special Servicing Transfer Event has occurred, it will be required, as soon as is reasonably practicable, to give written notice thereof to the Issuer, the Issuer Security Trustee, the Special Servicer, the Borrowers, the Rating Agency and the Noteholders whereupon the Loan will become a "**Specially Serviced Loan**".

Not less than 90 days prior to the Loan Final Maturity Date, the Servicer will be required to assess the likelihood that the Loan will be repaid in full on the Loan Final Maturity Date and will be required to notify the Special Servicer of the result of its assessment. In the event that the Servicer notifies the Special Servicer that there is a material risk that the Loan will not be repaid in full on or before the Loan Final Maturity Date (or it is unable to make an informed assessment of the likelihood of the Loan being repaid in full on or before the Loan Final Maturity Date):

- (a) on and from the date falling 30 days prior to the Loan Final Maturity Date, each of the Servicer and the Special Servicer will be required to make preparations to enable the transfer of the servicing of the Loan to the Special Servicer in the event that a Special Servicing Transfer Event occurs on the Loan Final Maturity Date; and
- (b) the Special Servicer will be required to consider possible strategies with respect to the Loan in the event the Loan is not repaid in full on the Loan Final Maturity Date.

Upon the Loan becoming a Specially Serviced Loan, the Special Servicer will be required to assume its special servicing duties under the Servicing Agreement and the obligations of the Servicer to provide the services (save for the Retained Services) under the Servicing Agreement will terminate (in each case until such time (if any) that the Loan becomes a

Corrected Loan). The Servicer will be required to deliver a copy of the Servicing File to the Special Servicer within five Business Days of the Loan becoming a Specially Serviced Loan and will be required to use reasonable efforts to provide the Special Servicer within ten Business Days of any request of the Special Servicer with all information, documents (or copies thereof) and records relating to the Loan in the Servicer's possession or control or otherwise available to the Servicer and reasonably requested by the Special Servicer, to enable it to perform its special servicing duties.

Where the Special Servicing Transfer Event occurs on the Loan Final Maturity Date, the Servicer and the Special Servicer will be required implement the preparations made in accordance with item (a) above.

Upon determining that no Special Servicing Transfer Event described in item (b) of the definition of Special Servicing Transfer Event has occurred for two consecutive Loan Interest Periods and the facts giving rise to any other Special Servicing Transfer Event have ceased to exist and no other matter exists which would give rise to the Loan becoming a Specially Serviced Loan, the Special Servicer will be required to give written notice thereof to the Issuer, the Issuer Security Trustee, the Cash Manager, the Servicer, the Borrowers, the Rating Agency and the Noteholders whereupon the Specially Serviced Loan will become a "**Corrected Loan**". In such circumstances, the Special Servicer's obligation to perform the services (other than the Retained Services) and its right to receive the Special Servicing Fees will terminate (in each case until such time (if any) that the Loan once more becomes a Specially Serviced Loan) and the obligations of the Servicer to perform all of the services will resume.

### **Servicing Fees and Special Servicing Fees**

A servicing fee (the "**Servicing Fee**") equal to 0.025 per cent per annum of the outstanding principal balance of the Loan on the first day of the relevant Loan Interest Period ending immediately prior to such Note Payment Date (plus VAT if applicable) will be payable by the Issuer to the Servicer on a quarterly basis on each Note Payment Date in accordance with the relevant Priority of Payments and the terms of the Servicing Agreement.

If the Loan is a Specially Serviced Loan at any time during a Note Interest Period, then on the Note Payment Date falling at the end of such Note Interest Period, a special servicing fee (the "**Special Servicing Fee**") equal to 0.075 per cent per annum of the outstanding principal balance of the Loan on the first day of the relevant Loan Interest Period ending immediately prior to such Note Payment Date (plus VAT if applicable) will be payable by the Issuer to the Special Servicer.

The Special Servicing Fee will be required to be calculated on the basis of the actual number of days in a Loan Interest Period in which the Loan is a Specially Serviced Loan, will be required to be paid in addition to the Servicing Fee and will cease to accrue on the date on which the Loan becomes a Specially Serviced Loan. No Special Servicing Fees will be payable in respect of any preparatory work conducted by the Special Servicer if the Loan does not become a Specially Serviced Loan or if the Loan is repaid in full on the Loan Final Maturity Date.

Both the Servicing Fee and the Special Servicing Fee will cease to accrue if the Loan is repaid in full or a Final Recovery Determination is made with respect to the Loan.

The Issuer will be required to pay to the Special Servicer on any applicable Note Payment Date a liquidation fee (the "**Liquidation Fee**") equal to 0.25 per cent. of the Liquidation Proceeds received by the Issuer during the Collection Period ending immediately prior to such Note Payment Date. No Liquidation Fee will be payable by the Issuer to the Special Servicer if the Final Recovery Determination was made less than 30 days after the relevant Special Servicing Transfer Event or if the sale of the Loan or any part of a Property was made to the

Special Servicer or an Affiliate of the Special Servicer unless the purchase price paid was the highest offer received (provided, however, that a lower bid may be accepted if, in the judgment of the Special Servicer and in accordance with the Servicing Standard, the acceptance of a lower bid would be in the best interests of the Noteholders). The amount of any Liquidation Fee will be required to be reduced by the aggregate amount of the Workout Fees paid to the Special Servicer in respect of the Loan.

**“Liquidation Proceeds”** means the proceeds of sale, net of costs and expenses of sale, if any, of the Loan, the Borrowers, the Properties or any part of the Properties (a) following the enforcement of the Loan Security; or (b) as a result of a request by or direction of the Special Servicer following a Loan Event of Default in circumstances where the Loan Security would be enforceable if such request or direction were not adhered to.

The Issuer will be required to pay to the Special Servicer on any applicable Note Payment Date a workout fee (the **“Workout Fee”**) where the Loan is a Specially Serviced Loan and subsequently becomes a Corrected Loan. The Workout Fee will be an amount equal to 0.25 per cent. (in each case, plus VAT, if applicable) of each collection of interest and principal received the Loan for so long as it remains a Corrected Loan. However, no Workout Fee will be payable if the Special Servicing Transfer Event which gave rise to the Loan becoming a Specially Serviced Loan, ceased to exist within 30 days of the Loan becoming a Specially Serviced Loan and no other Special Servicing Transfer Event occurred while the Loan remains as a Specially Serviced Loan.

On a Note Payment Date on which the Loan remains a Corrected Loan, the amount of the Workout Fee (if any) payable on that date to the Special Servicer will be the lesser of:

- (a) the amount of the Workout Fee that would (but for this adjustment) have been payable to the Special Servicer on that date; and
- (b) an amount (not to be less than zero) equal to (i) the aggregate amount of all Workout Fees that would (but for this adjustment) have been paid to the Special Servicer on the Note Payment Dates (excluding the relevant Note Payment Date) following the Loan becoming a Corrected Loan), less (ii) the amount of the Restructuring Fee paid to the Special Servicer pursuant in connection with any modification, waiver, amendment or consent which resulted in the Loan becoming a Corrected Loan.

Provided that the Servicer or (where the Loan is a Specially Serviced Loan) the Special Servicer determines that it would not be inconsistent with the Servicing Standard to do so, it may require that the Borrowers pay or procures the payment of a Restructuring Fee to the Servicer or the Special Servicer, as applicable, for its own account prior to agreeing to any modification, waiver or amendment in relation to the Finance Documents or issuing any consent thereunder as described in the section entitled *“- The Servicing Agreement - Modifications, Waivers, Amendments and Consents in relation to the Finance Documents”*.

**“Restructuring Fee”** means a fee negotiated between the Borrower and the Servicer or Special Servicer, as the case may be, payable by the Borrowers to the Borrower Facility Agent, the Servicer or the Special Servicer in connection with any consensual amendments, modifications or waivers to the terms of the Borrower Facility Agreement. In no circumstances will the Issuer be liable to pay a Restructuring Fee to the Servicer or the Special Servicer if it has not first been recovered from the Borrowers or any other person (other than a party to the Transaction Documents).

If a Servicer Event of Default has occurred and is continuing unwaived 30 days after a Servicer Event of Default Notice has been given to the Servicer or Special Servicer, as applicable, the Servicing or Special Servicing Fee, as applicable, will cease to accrue on and from the date falling 30 days after the date of such Servicer Event of Default Notice.

If a Reporting Failure Event has occurred and a Reporting Failure Termination Notice has been given to the Servicer, the Servicing Fee shall cease to accrue on and from the date falling 30 days after the date of such Reporting Failure Termination Notice.

## **Termination of the Appointment of the Servicer**

### ***Servicer Event of Default***

Pursuant to the terms of the Servicing Agreement, if the Issuer Security Trustee becomes aware that a Servicer Event of Default has occurred:

- (a) the Issuer Security Trustee shall promptly give notice in writing of the same (a "**Servicer Event of Default Notice**") to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) copied to the Issuer, the Note Trustee, the Noteholders and the Servicer or Special Servicer, as applicable; and
- (b) unless the Issuer Security Trustee is directed by the Noteholders (acting by a Written Ordinary Resolution) within 21 days of the date of the relevant Servicer Event of Default Notice to waive the relevant Servicer Event of Default, the Issuer Security Trustee shall not later than 30 days after the date of the Servicer Event of Default Notice give written notice (a "**Servicer Termination Notice**") to the Servicer (if the Servicer Event of Default related to the Servicer) or the Special Servicer (if the Servicer Event of Default related to the Special Servicer) that its appointment under the Servicing Agreement is to be terminated. Each Servicer Termination Notice shall be copied to the Issuer, the Note Trustee and the Noteholders and the Servicer or Special Servicer, as applicable; and
- (c) in addition, the Issuer will publish any Servicer Event of Default Notice or any Servicer Termination Notice on Bloomberg and on the Luxembourg Stock Exchange.

The occurrence of, *inter alia*, any of the following events with respect to either the Servicer or the Special Servicer will constitute a "**Servicer Event of Default**" with respect to the Servicer or Special Servicer, as applicable:

- (a) provided sufficient funds are available, the Servicer or the Special Servicer fails to procure the transfer of sums required to be transferred on any Loan Payment Date from the relevant Borrower Account to the Issuer Transaction Account in the time or otherwise in the manner required by the terms of the Servicing Agreement;
- (b) the Servicer or the Special Servicer, as applicable, defaults in making payment due and payable by it under the Servicing Agreement and such default continues for a period of five Business Days after the earlier of (a) the Servicer or the Special Servicer, respectively, becoming aware of such default and (b) receipt by the Servicer or the Special Servicer, respectively, of written notice by the Issuer, or after the receipt of a Note Acceleration Notice, the Issuer Security Trustee requiring the same to be remedied;
- (c) the Servicer or the Special Servicer fails to observe or perform in any material respect any other of its covenants or agreement or the material breach of its representations and warranties, which failure will continue to be unremedied for a period of 30 days after the date on which written notice of such failure is given to the Servicer or the Special Servicer, as applicable, by the Issuer or the Issuer Security Trustee, as applicable (other than a failure to pay or, in the case of the Servicer, the failure to publish or deliver a report in accordance with the Servicing Agreement) or such longer time (but no longer than 90 days) as may reasonably

be necessary to cure the relevant breach, provided that the Servicer or the Special Servicer is proceeding with all due diligence required to cure such breach;

- (d) except in the case of a Permitted Reorganisation, an order is made or an effective resolution passed for winding up the Servicer or the Special Servicer;
- (e) except in the case of a Permitted Reorganisation, the Servicer or the Special Servicer ceases to own the whole of its business or ceases to own the whole or substantially the whole of its commercial mortgage servicing business;
- (f) except in the case of a Permitted Reorganisation the Servicer or the Special Servicer stops payment of its debts or the Servicer or the Special Servicer is deemed unable to pay its debts within the meaning of the insolvency laws applicable to such entity or becomes unable to pay its debts as they fall due or otherwise becomes insolvent (any such event, a "**Servicer Insolvency Event**");
- (g) except in the case of a Permitted Reorganisation, proceedings are initiated (including the presentation of a petition or filing of documents with the court for administration (other than proceedings for dissolution or winding-up which are contested in good faith and discharged within 60 days)) against the Servicer or the Special Servicer under any applicable laws concerning liquidation, administration, insolvency, composition or reorganisation (save where such proceedings are frivolous or vexatious or are being contested in good faith by the Servicer or the Special Servicer) or an encumbrancer will take possession of all or a substantial part of the undertaking or assets of the Servicer or the Special Servicer in respect of a secured debt exceeding £750 (or its equivalent in other currencies) or more and it will not be discharged or stayed within 30 days or a distress or execution or other process will be levied or enforced upon or sued out against all or a substantial part of the undertaking or assets of the Servicer or the Special Servicer in respect of a judgement debt of £750 (or its equivalent in other currencies) or more and such distress, execution or other process will not be discharged or stayed within 60 days or 90 days if such proceedings cannot be discharged within a 60 day period and the Servicer or Special Servicer, as applicable, has diligently pursued, and continues to pursue, such discharge during such 60 day period;
- (h) if it becomes unlawful for the Servicer or the Special Servicer to perform any material part of the Services except in circumstances where no other person could perform such material part of the Services lawfully; or
- (i) the Servicer or the Special Servicer pays any part of its remuneration under the Servicing Agreement to any Noteholder in connection with securing its appointment as such.

**"Permitted Reorganisation"** means a reorganisation or restructuring the terms and the relevant surviving entity of which notification has been provided to the Issuer Security Trustee and in relation to which such entity will, following the completion of the reorganisation or restructuring, not be insolvent, and will have assumed all of the liabilities and obligations of the Servicer or the Special Servicer, as applicable; provided, that the surviving party meets the requirements with respect to successors contained in the relevant Transaction Document.

### ***Reporting Failure Event***

Pursuant to the terms of the Servicing Agreement, if the Issuer Security Trustee becomes aware of the occurrence of a Reporting Failure Event then:

- (a) the Issuer Security Trustee shall promptly give notice in writing of the same (a "**Reporting Failure Event Notice**") to the Servicer copied to the Issuer, the Note Trustee the Noteholders and the Special Servicer; and
- (b) if the Issuer Security Trustee is directed by the Noteholders (acting by Written Ordinary Resolution) within 21 days of the date of the relevant Reporting Failure Event Notice to terminate the appointment of the Servicer, the Issuer Security Trustee shall not later than 30 days after the date of the Reporting Failure Event Notice and provided such Reporting Failure Event is continuing give written notice (a "**Reporting Failure Termination Notice**") to the Servicer (copied to the Issuer and the Noteholders and the Special Servicer) that its appointment under the Servicing Agreement is to be terminated.

A "**Reporting Failure Event**" will occur where the Servicer fails to publish or deliver a complete Servicer Quarterly Report or any other report required to be published by the Servicer pursuant to the Servicing Agreement within ten Business Days of the date on which such report was required to be published or delivered (unless the failure to publish the relevant report in full resulted from the failure of the Special Servicer, the Cash Manager or the Borrowers to deliver the required information to the Servicer in accordance with the terms of the Servicing Agreement, the Cash Management Agreement or the Borrower Facility Agreement, as applicable or is caused by any failure or delay in publishing the report by Bloomberg after it has been provided with the report by the Servicer).

***Retirement of the Servicer or the Special Servicer***

Pursuant to the terms of the Servicing Agreement:

- (a) each of the Servicer or the Special Servicer will be permitted to terminate its appointment under the Servicing Agreement by giving written notice (a "**Retirement Notice**") to each of the Issuer, the Borrower Security Trustee, the Borrower Facility Agent, the Servicer (in the case of notice by the Special Servicer), the Special Servicer (in the case of notice by the Servicer) and the Issuer Security Trustee in which event the appointment of the Servicer or Special Servicer shall terminate on the date falling three months after the date of relevant Retirement Notice;
- (b) the Noteholders will be permitted to request the termination of the appointment of the person then acting as the Special Servicer by directing (by Written Ordinary Resolution) to the Issuer (copied to the Issuer Security Trustee, the Note Trustee the Servicer and Special Servicer) notifying them that they request the termination of the appointment of the person then acting as the Special Servicer and their replacement by a nominated replacement Special Servicer that (i) where the Notes are, at the relevant time, rated by S&P, has a servicer ranking (of at least AVERAGE) from S&P, or (ii) in all other circumstances, has a servicer ranking (as opposed to a corporate rating) from Moody's Investor Service Limited or Fitch Ratings Ltd. or a servicer ranking from S&P.

Regardless of the reason, the termination or resignation of the appointment of the Servicer or, as applicable, the Special Servicer will only be permitted to take effect where a successor Servicer or, as applicable, a successor Special Servicer is appointed by the Issuer and such Servicer or Special Servicer, as applicable, that (a) (to the extent that the Notes are, at the relevant time, rated by S&P) has a servicer ranking (of at least AVERAGE) from S&P, or (b) in all other circumstances, has a servicer ranking (as opposed to a corporate rating) from Moody's or Fitch or a servicer ranking from S&P (c) it has been notified to the Issuer Security Trustee that such successor Servicer or Special Servicer, as applicable, agreed in writing to be bound by the terms of the Servicing Agreement and the other Transaction Documents (or enters into an agreement on substantially the same terms as the Servicing Agreement) and



(d) the fee payable to any successor Servicer or Special Servicer will not exceed the rate then generally payable to providers of commercial loan servicing services.

Upon the termination of its appointment, the Servicer or, as applicable, the Special Servicer will be required (subject to any legal or regulatory restrictions) to promptly deliver a copy of the Servicing File and all books and records relating to the Loan to the successor Servicer or, as applicable, the Special Servicer and will be required to take such further lawful action as the Issuer or the Issuer Security Trustee may reasonably direct to enable such successor Servicer or, as applicable, the Special Servicer to perform its servicing duties.

### **Delegation**

The Servicer and the Special Servicer will be permitted to enter into sub-servicing agreements to provide for the performance by third parties of any or all of their respective liabilities hereunder, provided that, *inter alia*, they each use reasonable skill and care in the selection of any sub-servicer and include the details of the appointment of the sub-servicer and the terms of such appointment in the first Servicer Quarterly Report to be published following such appointment. Notwithstanding the entry into of any sub-servicing arrangement, the Servicer and the Special Servicer will each remain responsible for the performance of its duties and obligations under the Servicing Agreement.

The Servicer and the Special Servicer will also be permitted to appoint and act on the opinion or advice of, or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, insurance adviser, hedging adviser, financial adviser, securities dealer, investment bank, computer consultant, environmental consultant or other expert or professional adviser provided that, *inter alia*, they each use reasonable skill and care in the selection of the foregoing and they each agree such fees and terms of engagement with such advisers as are reasonable having regard to the circumstances and that they are in line with the then current market rates and (a) in the case of the appointment of any professional adviser to provide legal, accountancy, tax, valuation or insurance advice, include the details of the person so appointed and the fees payable in connection therewith in the next Servicer Quarterly Report to be published following such appointment, and (b) in all other cases, promptly following the relevant appointment, provide written notice to the Issuer, the Borrowers, the Borrower Security Trustee, the Note Trustee, the Borrower Facility Agent, the Issuer Security Trustee and the Noteholders of the details of the person so appointed, an explanation of the reason for such appointment and the fees payable in connection therewith.

### **Property Adviser**

The Servicer or the Special Servicer (as applicable) shall, in consultation with the Noteholders, appoint a Property Adviser if a Property Adviser Cash Trap Trigger or a LTV Cash Trap Trigger has occurred and is continuing for at least twelve months.

### **Governing law**

The Servicing Agreement will be governed by and construed in accordance with English law.

## CASHFLOWS AND PAYMENT PRIORITIES

### Determination Date Calculations

With respect to a Note Payment Date, on the Business Day after the last day of the Collection Period ending immediately prior to such Note Payment Date (the "**Determination Date**"), the Cash Manager will be required, *inter alia*, to calculate the following:

- (a) the amount of Revenue Receipts and Principal Receipts received during the Collection Period ending on such Determination Date;
- (b) the Available Funds available to the Issuer for payment on the following Note Payment Date;
- (c) the Principal Distribution Amount and principal payments required to be made in respect of the Notes pursuant to Condition 6 (Redemption and Cancellation) on the following Note Payment Date;
- (d) the Prepayment Premium in respect of the Notes for the following Note Payment Date in accordance with Condition 6(i) (Interest – Prepayment Premium);
- (e) any amounts received under the Cap Agreement;
- (f) the amounts required to pay interest payments on the Notes on the following Note Payment Date and all other amounts payable by the Issuer on the following Note Payment Date.

**"Revenue Receipts"** means:

- (a) all monies (other than Principal Receipts) paid to the Issuer under or in respect of the Loan;
- (b) to the extent not included in item (a), the Quarterly Facility Fee paid to the Issuer pursuant to the Borrower Facility Agreement;
- (c) any interest accrued on the Issuer Transaction Account and paid to the Issuer in respect of amounts standing to the credit of the Issuer Transaction Account;
- (d) any amounts applied by the Issuer, on behalf of the Borrower to satisfy any Interest Payment Shortfall from the Issuer Interest Reserve Account,

in each case deposited into the Issuer Transaction Account.

**"Principal Receipts"** means all payments in respect of principal allocated by the Servicer or the Special Servicer as Principal Receipts in respect of the Loan (including scheduled repayments, voluntary prepayments, any relevant reserve amount, mandatory prepayments and loan enforcement proceeds allocated to principal) received by the Issuer and deposited into the Issuer Transaction Account and the proceeds of any sale, transfer or other disposal of the Loan and the Loan Security allocated by the Servicer or the Special Servicer as Principal Receipts received by the Issuer and deposited into the Issuer Transaction Account.

**"Available Funds"** means, in relation to a Note Payment Date, the aggregate of:

- (a) an amount equal to the aggregate of the Revenue Receipts and the Principal Receipts standing to the credit of the Issuer Transaction Account at the close of

business on the last day of the Collection Period ending immediately prior to that Note Payment Date; and

- (b) any amounts received by the Issuer from the Cap Provider under the Cap Agreement on or in respect of the relevant Note Payment Date.

The "**Prepayment Premium**" for any Note Payment Date will be the amount of any Prepayment Fees received by the Issuer in the Collection Period ending immediately prior such Note Payment Date.

The "**Principal Distribution Amount**", for the Notes for any Note Payment Date will be determined by the Cash Manager as the Principal Receipts received by the Issuer in the relevant Collection Period.

## **Priority of Payments**

### ***Pre-Enforcement Priority of Payments***

Prior to the delivery of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager (on behalf of the Issuer) will be required, on each Note Payment Date, to apply the Available Funds (other than (i) any early termination amount arising from the full or partial termination of the Interest Rate Cap Transaction due to any reason other than occurrence of an Event of Default or a Termination Event (as such terms are defined in the Cap Agreement) in respect of the Cap Provider or the Issuer (the "**ET Amount**") and (ii) any early termination amount (or part thereof) arising from the termination of the Interest Rate Cap Transaction due to the occurrence of an Event of Default or a Termination Event (as such terms are defined in the Cap Agreement) in respect of the Cap Provider which has been, or will be, used to pay the premium and any additional costs and expenses in respect of a replacement cap) (the "**Cap Replacement Amount**") from the Issuer Transaction Account for that Note Payment Date in the following order of priority (the "**Pre-Enforcement Priority of Payments**") (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pari passu* and pro rata according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to the Note Trustee and the Issuer Security Trustee, the Borrower Security Trustee and the Borrower Facility Agent and any other person appointed by the Note Trustee or the Issuer Security Trustee under the Note Trust Deed or the Deed of Charge and Assignment and/or any other Transaction Document to which the Note Trustee or the Issuer Security Trustee is a party;
- (b) *second*, in or towards satisfaction, *pari passu* and pro rata according to the amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to the Paying Agents, the Registrar and the Agent Bank (in each case for their own account) under the Agency Agreement;
- (c) *third*, in or towards satisfaction, *pari passu* and pro rata according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to:
  - (i) the Cash Manager under the Cash Management Agreement; and
  - (ii) the Issuer Account Bank under the Cash Management Agreement;

- (d) *fourth*, in or towards satisfaction, *pari passu* and pro rata according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer on such Note Payment Date to:
  - (i) the Issuer Corporate Services Provider under the Corporate Services Agreement;
  - (ii) the Servicer under the Servicing Agreement; and
  - (iii) the Special Servicer under the Servicing Agreement;
- (e) *fifth*, in or towards payment of the S&P surveillance fee in respect of the Notes;
- (f) *sixth*, in or towards payment or discharge of amounts due and payable by the Issuer to third parties (other than Issuer Secured Creditors) under obligations incurred in accordance with the terms of the Transaction Documents in the course of the Issuer's business (and for which payment has not been otherwise provided for elsewhere) and/or provision for such amounts that will become due during the Note Interest Period beginning on such Note Payment Date;
- (g) *seventh*, in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Notes;
- (h) *eighth*, in or towards payment of all other amounts (other than principal and interest) due and overdue on (or under the terms of) the Notes (including any Prepayment Premium);
- (i) *ninth*, in or towards payment of any Principal Distribution Amount due on the Notes;
- (j) *tenth*, to transfer to the Share Capital Account an amount equal to £1,000 representing profit of the Issuer in respect of such Note Payment Date (the "**Issuer Profit**") from which the Issuer shall satisfy its liability to pay when due corporation tax on that amount in accordance with item (e) of this Pre-Enforcement Priority of Payments;
- (k) *eleventh*, any surplus to be retained in the Issuer Transaction Account.

The Cash Manager will transfer (i) the ET Amount to the Issuer or to such other person as informed to the Cash Manager by the Issuer or the Issuer Security Trustee, as applicable, and (ii) the Cap Replacement Amount to the replacement cap provider upon the instructions of the Issuer or the Issuer Security Trustee, as applicable.

### **Post-Enforcement Priority of Payments**

Following the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full, the Issuer Security Trustee or any Receiver appointed by it will be required to apply all monies and receipts received by it and/or the Issuer (including funds from the Issuer Transaction Account received or recovered by it or on its behalf) in accordance with the following order of priority (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Priority of Payments, the "**Priority of Payments**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pari passu* and pro rata according to amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any)

and any other amounts due and payable by the Issuer to the Note Trustee and the Issuer Security Trustee and any other person appointed by the Note Trustee or the Issuer Security Trustee under the Note Trust Deed or the Deed of Charge and Assignment and/or any other Transaction Document to which the Note Trustee or the Issuer Security Trustee is a party (including any Receiver appointed by the Issuer Security Trustee) and to the Borrower Security Trustee and the Borrower Facility Agent;

- (b) *second*, in or towards satisfaction, *pari passu* and pro rata according to the amounts then due, of any amounts due and payable by the Issuer to the Paying Agents, the Registrar and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement together with any other costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to the Paying Agents, the Registrar and the Agent Bank (in each case for their own account) pursuant to the Agency Agreement;
- (c) *third*, in or towards satisfaction, pro rata according to the amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to:
  - (i) the Cash Manager under the Cash Management Agreement; and
  - (ii) the Issuer Account Bank under the Cash Management Agreement;
- (d) *fourth*, in or towards satisfaction, pro rata according to the amounts then due, of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable by the Issuer to:
  - (i) the Issuer Corporate Services Provider under the Corporate Services Agreement;
  - (ii) the Servicer under the Servicing Agreement; and
  - (iii) the Special Servicer under the Servicing Agreement;
- (e) *fifth*, in or towards payment of the S&P surveillance fee in respect of the Notes;
- (f) *sixth*, in or towards payment of any principal, interest and other amounts due and interest overdue (and all interest due on such overdue interest) on (or under the terms of) the Notes; and
- (g) *seventh*, any surplus to the Issuer.

## CASH MANAGEMENT FOR THE ISSUER

### Cash Manager

On or about the Closing Date and pursuant to the terms of the Cash Management Agreement, Elavon Financial Services Limited, UK Branch will be appointed as the Cash Manager to provide cash management services to the Issuer and the Issuer Security Trustee.

The Cash Manager will undertake with the Issuer and the Issuer Security Trustee that in performing the services to be performed and in exercising its discretions under the Cash Management Agreement, the Cash Manager will perform such responsibilities and duties diligently and in conformity with the Issuer's obligations with respect to the Transaction Documents and the transactions contemplated thereby.

### Issuer Account Bank

On or about the Closing Date and pursuant to the terms of the Cash Management Agreement, Elavon Financial Services Limited, UK Branch will be appointed as the Issuer Account Bank to provide banking services to the Issuer and the Issuer Security Trustee.

Pursuant to the Cash Management Agreement, the Issuer Account Bank will open and maintain a current account in the name of the Issuer (the "**Issuer Transaction Account**") and an interest reserve account in the name of the Issuer (the "**Issuer Interest Reserve Account**") and such other bank accounts as the Issuer Account Bank may be required to open for or on behalf of the Issuer from time to time (the "**Issuer Accounts**").

The Issuer Account Bank will be required to comply with any direction of the Cash Manager, the Issuer or, following enforcement of the Issuer Security, the Issuer Security Trustee to effect payments from the Issuer Accounts if such direction is in respect of a specified sum of money, is in writing or in the case of a transfer of funds by electronic transmission, evidenced in accordance with normal banking practices for such transfer and such payment is permitted to be made pursuant to the Cash Management Agreement or the Deed of Charge and Assignment.

The Servicer (acting as agent for the Issuer and the Issuer Security Trustee) will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received in connection with the Loan are paid into the Issuer Transaction Account. Payments out of the Issuer Transaction Account will be made by the Cash Manager in accordance with the provisions of the Cash Management Agreement and the relevant Priority of Payments as described under the section entitled "*Cashflows and Payment Priorities*" on page 217. The Issuer Accounts will be subject to the Issuer Security as described under the section entitled "*Security for the Issuer's Obligations - The Issuer Security*" on page 227.

### Cash management services

The cash management services to be provided by the Cash Manager will include, but will not be limited to:

- (a) the operation of the Issuer Accounts and direct the Issuer Account Bank to make debits from and or credits to the Issuer Accounts in accordance with the terms of the Transaction Documents;
- (b) the making of the relevant determinations on each Determination Date as set out in the section entitled "*Cashflows and Payment Priorities – Determination Date Calculations*" on page 217;

- (c) the calculation on each Note Payment Date, of the Principal Amount Outstanding and the Note Factor for the next following Note Payment Date;
- (d) the payment on behalf of the Issuer of the payments required to be made pursuant to and in accordance with the Pre-Enforcement Priority of Payments, as set out in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Pre-Enforcement Priority of Payments*" on page 218 and the giving of directions to the Issuer Account Bank in relation thereto;
- (e) withdrawal from the Issuer Interest Reserve Account of an amount equal to the Disposal Reserve Amount or to satisfy any Interest Payment Shortfall and pay such amount into the Issuer Transaction Account;
- (f) the determination of the Quarterly Facility Fee payable by the Borrowers on each Loan Payment Date to the Issuer under the terms of and the Borrower Facility Agreement;
- (g) the delivery to the Rating Agency and the Luxembourg Stock Exchange of information and reports in its possession as reasonably requested by them;
- (h) provide the Issuer, the Issuer Security Trustee, the Servicer and the Special Servicer with all information required under the section "bond information" of the ECB Loan Level Data template to be included in the reporting;
- (i) provide the Issuer, the Issuer Security Trustee, the Issuer Account Bank, the Servicer and Special Servicer with a detailed report in relation to the determinations made by the Cash Manager in respect of any Determination Date.

***Payments under the Notes***

The Cash Manager will be required, from time to time, to notify Noteholders in accordance with Condition 16 (*Notice to Noteholders*) of the Conditions of any over-payment or under-payment in respect of any Note of which it has actual notice made on any Note Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of any such notice, the Cash Manager will be required to rectify such over-payment or under-payment by increasing or, as the case may be, decreasing payments to the relevant party on any subsequent Note Payment Date. No liability will attach to the Cash Manager in relation to the making by the Cash Manager of any such payment correction. The Cash Manager will be required:

- (a) from time to time, to pay on behalf of the Issuer all payments and expenses required to be paid by the Issuer to third parties, as determined by the Cash Manager, by way of the Priority of Payments; and
- (b) to make all payments required to carry out an optional redemption of Notes pursuant to Condition 6(c) (Redemption and Cancellation - Optional Redemption for Tax or Other Reasons) or Condition 6(d) (Redemption and Cancellation - Optional Redemption in Full), in each case according to the provisions of the relevant Condition.

The performance by the Cash Manager of the cash management services is subject to the Cash Manager receiving the relevant information from the Issuer, the Issuer Account Bank, the Servicer, the Special Servicer, the Issuer Security Trustee, the Note Trustee and the other parties to the Transaction Documents. Absent fraud, gross negligence or wilful default, the Cash Manager will not be liable for any breach by it of the terms of the Cash Management Agreement including any directly arising from any failure or delay by (i) the Issuer, the Servicer, the Special Servicer, the Issuer Security Trustee or the other parties to the

Transaction Documents to provide the relevant information to the Cash Manager; (ii) any law regulation or requirement of law of any central bank or other regulatory authority affecting it; (iii) insufficient information being available; (iv) any action taken by the Cash Manager at the written request of the Issuer or the Issuer Security Trustee or (v) any Tax required to be paid by the Issuer or the Issuer Security Trustee.

Furthermore, if for whatever reason, an incorrect payment is made to the Issuer Accounts, the Cash Manager will, as soon as reasonably practicable after becoming aware of the same, withdraw cash from the Issuer Accounts and use its reasonable efforts to ensure such cash is applied correctly thereafter.

### **Authorised Investments**

The Cash Manager may, at the direction of the Issuer, invest monies standing to the credit of the Issuer Transaction Account and the Issuer Interest Reserve Account in Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), as determined by the Issuer, provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments: (i) mature on or before the next Note Payment Date; (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Note Payment Date; and (iii) have a maturity date of 30 to 90 days or less and are rated at least A-1 by S&P (each an "**Authorised Investment**").

### **Delegation by the Cash Manager**

Subject to the terms of the Cash Management Agreement, the Cash Manager may sub-contract or delegate the performance of any of its obligations under the Cash Management Agreement to any sub-contractor, agent, representative or delegate.

### **Fees**

Pursuant to the Cash Management Agreement, the Issuer will pay to the Cash Manager on each Note Payment Date a cash management fee as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager for all costs and expenses properly incurred by the Cash Manager in the performance of the cash management services. In addition the Issuer will indemnify the Cash Manager and the Issuer Account Bank against any liabilities which it may incur as a result of the performance of its obligations under the Cash Management Agreement.

### **Termination of Appointment of the Cash Manager and the Issuer Account Bank**

The appointment of Elavon Financial Services Limited as Cash Manager and as Issuer Account Bank under the Cash Management Agreement may be terminated by virtue of either of their respective resignation or removal by the Issuer (prior to the service of a Note Acceleration Notice) (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) or (after the service of a Note Acceleration Notice) the Issuer Security Trustee, in each case upon not less than sixty days written notice to each of the parties to the Cash Management Agreement and subject to certain conditions as outlined below.

The occurrence of, inter alia, any of the following events, in relation to the Cash Manager, will constitute a "**Cash Manager Termination Event**" and, in relation to the Issuer Account Bank, will constitute an "**Issuer Account Bank Termination Event**":

- (a) provided there are sufficient funds available, a failure by the Cash Manager or the Issuer Account Bank (i) to make when due a payment required to be made by it in accordance with the Cash Management Agreement and such default continues unremedied for a period of 3 Business Days after the earlier of the Cash Manager



or the Issuer Account Bank becoming aware of such default or receipt by the Cash Manager or the Issuer Account Bank of written notice of such default from the Issuer or the Issuer Security Trustee, or (ii) to make when due a payment required to be made by it in accordance with the Cash Management Agreement on a Note Payment Date;

- (b) a failure by the Cash Manager or the Issuer Account Bank to maintain all appropriate licences, consents, approvals, authorisations and exemptions from and registrations required by it to perform its obligations under the Cash Management Agreement;
- (c) a material default by the Cash Manager or the Issuer Account Bank in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for twenty Business Days after the earlier of the Cash Manager or the Issuer Account Bank becoming aware of such default or receipt by the Cash Manager or the Issuer Account Bank of written notice of such default from the Issuer or the Issuer Security Trustee;
- (d) any material representation of warranty made by the Cash Manager or the Issuer Account Bank proves to have been incorrect or misleading, unless, provided such breach is capable of being remedied, such breach of warranty or misrepresentation is remedied within twenty Business Days of notice to the Cash Manager and the Issuer Account Bank, as applicable, in relation to such breach or misrepresentation;
- (e) the occurrence of certain insolvency events in relation to the Cash Manager or the Issuer Account Bank; or
- (f) in relation to the Issuer Account Bank only, the Issuer Account Bank ceases to be an Authorised Entity and it has not complied with its obligations to maintain and operate the Issuer Accounts in accordance with the terms of the Cash Management Agreement.

Following the occurrence of any Cash Manager Termination Event or Issuer Account Bank Termination Event, the Issuer (at any time prior to the service of a Note Acceleration Notice) (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) or (after service of a Note Acceleration Notice) the Issuer Security Trustee will terminate the appointment of the Cash Manager or the Issuer Account Bank by written notice to the respective parties, as applicable, with effect from a date specified in the notice (not earlier than the date of the notice), subject to certain conditions as outlined below.

Subject to the conditions outlined below, the Cash Manager or the Issuer Account Bank, as applicable, may terminate its appointment by giving not less than sixty (60) days prior written notice of resignation to the parties of the Cash Management Agreement. Upon termination or resignation of the appointment of the Cash Manager or the Issuer Account Bank, the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) will be required to use its reasonable efforts to appoint a successor Cash Manager or successor Issuer Account Bank, as applicable, on or before the date of termination or resignation specified in the relevant notice of termination or resignation, provided that if a successor has not been appointed ten days prior to the expiration of a notice of resignation, the Issuer Account Bank or the Cash Manager, as applicable, may itself, with the prior written consent of the Issuer Security Trustee appoint a successor which is an Authorised Entity.

No termination or resignation of the appointment of the Cash Manager or the Issuer Account Bank under the Cash Management Agreement will take effect unless:

- (a) a successor Cash Manager or successor Issuer Account Bank, as applicable, is appointed;
- (b) the successor Cash Manager or successor Issuer Account Bank, as applicable, agrees in writing to be bound by the terms of the Cash Management Agreement and the other Transaction Documents or on such other terms as the Issuer and the Issuer Security Trustee may approve;
- (c) the successor Cash Manager or successor Issuer Account Bank, as applicable, enters into a deed of accession as provided for under the terms of the Deed of Charge and Assignment; and
- (d) in relation to a successor Issuer Account Bank, the successor Issuer Account Bank is an Authorised Entity.

Upon the termination or resignation of the appointment of the Cash Manager or the Issuer Account Bank and the payment of all outstanding amounts due and payable pursuant to the Cash Management Agreement, as applicable, the terminated Cash Manager or the terminated Issuer Account Bank, as applicable, is required at the cost of the Issuer to deliver its books of account relating to the Notes to the successor Cash Manager or successor Issuer Account Bank and is required to use all reasonable efforts and co-operate with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement), the Issuer Security Trustee and the successor Cash Manager or successor Issuer Account Bank, as applicable, in effecting the termination of the responsibilities and rights of the terminated Cash Manager or the terminated Issuer Account Bank under the Cash Management Agreement.

The Cash Management Agreement will terminate automatically when the Notes have been fully redeemed and the Issuer Secured Liabilities discharged.

#### **Rating criteria of the Issuer Account Bank**

The Cash Management Agreement will require that the Issuer Account Bank is, except in certain limited circumstances, a bank with a minimum short term credit rating from S&P of "A-2" and a minimum long term credit rating of "BBB+" from S&P (an **"Authorised Entity"**).

If the Issuer Account Bank ceases to be an Authorised Entity, the Issuer Account Bank will be required to give notice of such event to the Issuer, the Servicer, the Special Servicer, the Cash Manager and the Issuer Security Trustee. The Issuer Account Bank will be (within 60 days of the occurrence of such event or within 90 days of the occurrence of such event (provided that within 60 calendar days of the occurrence of such event, S&P, the Servicer, the Special Servicer and the Issuer Security Trustee receive written plans from the Issuer Account Bank describing the steps it will take to remedy the downgrade within the extended remedy period and S&P notifies the Issuer Account Bank that it will not take any action to downgrade the Notes for the duration of the extended period)):

- (a) to procure the transfer of the Issuer Accounts to a successor Issuer Account Bank which is an Authorised Entity;
- (b) to obtain a guarantee of its obligations under the Cash Management Agreement from a financial institution with the required rating; or
- (c) to take such other action as may be agreed with the Issuer (acting by the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement) and the Issuer Security Trustee as is consistent with maintaining the initial rating of

the Notes (or, if the current rating of the Notes is lower than their initial rating, is consistent with enabling such initial rating of the Notes to be restored),

and, in the case of item (a) above, the successor Issuer Account Bank entering into substantially similar arrangements to those contained in the Cash Management Agreement and acceding to the terms of the Deed of Charge and Assignment.

As at the date of this Prospectus, the long term issuer credit rating by S&P of the Issuer Account Bank is "AA-" and the short term issuer credit rating by S&P of the Issuer Account Bank is "A-1+".

**Governing law**

The Cash Management Agreement will be governed by and construed in accordance with English law.

## SECURITY FOR THE ISSUER'S OBLIGATIONS

### The Issuer Security

To provide security for the moneys, obligations and liabilities due, owing, incurred or payable by the Issuer to the Issuer Secured Creditors under the Notes and the other Transaction Documents (the "**Issuer Secured Liabilities**"), the Issuer will enter into the Deed of Charge and Assignment with the Issuer Security Trustee and the Issuer Secured Creditors.

Pursuant to the Deed of Charge and Assignment, the Issuer will grant the following security (the "**Issuer Security**") to be held by the Issuer Security Trustee on trust for the benefit of the Issuer Secured Creditors:

- a first fixed charge of the Issuer's rights, title, interest and benefit, present and future in, to and under the Finance Documents, the Loan and the Loan Security;
- an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future in, under and pursuant to the Transaction Documents and all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Deed of Charge and Assignment);
- a first fixed charge of the Issuer's rights, title, interest and benefit, present and future in and to the Issuer Transaction Account and in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Transaction Account and to any other bank, securities or other account opened and maintained in England and Wales (other than the bank account in the name of the Issuer held with RBS Global Banking (Luxembourg) S.A. and used for the purposes of receiving the subscription proceeds of the Issuer's share capital (the "**Share Capital Account**" and the Issuer Interest Reserve Account); and
- a first floating charge over the whole of the assets, undertaking and property of the Issuer which are not otherwise effectively subject to a fixed charge or assignment by way of security as described in the preceding paragraphs.

"**Issuer Secured Creditors**" means the Issuer Security Trustee, the Noteholders, the Note Trustee, the Servicer, the Special Servicer, the Cash Manager, the Issuer Account Bank, the Agent Bank, the Borrower Security Trustee, the Borrower Facility Agent, the Principal Paying Agent, the Registrar, the Issuer Corporate Services Provider and any other person acceding to the Deed of Charge and Assignment, as an Issuer Secured Creditor, from time to time.

Under English law, security which is expressed to be fixed in nature may take effect as floating security depending on the degree of control which the secured party is given over the relevant assets and the degree to which such secured party exercises such control.

### Pre-Enforcement and Post-Enforcement Priority of Payments

The Deed of Charge and Assignment will set out the order of priority for the application of cash by the Cash Manager (on behalf of the Issuer) prior to the delivery by the Note Trustee of a Note Acceleration Notice to the Issuer or the Notes otherwise becoming due and payable in full. This payment order of priority is described in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Pre-Enforcement Priority of Payments*" on page 218.

The Deed of Charge and Assignment will also set out the order of priority for the application by the Issuer Security Trustee or any Receiver appointed by it, following the delivery by the

Note Trustee of a Note Acceleration Notice to the Issuer or the Notes otherwise becoming due and payable in full, of amounts received or recovered by it or on its behalf. This order of priority is described in the section entitled "*Cashflows and Payment Priorities – Priority of Payments – Post-Enforcement Priority of Payments*" on page 219.

## **Enforcement**

The Issuer Security will become enforceable following the delivery by the Note Trustee of a Note Acceleration Notice to the Issuer pursuant to Condition 10 (*Note Events of Default*). After the Issuer Security has become enforceable, the Issuer Security Trustee may at its absolute discretion, or if instructed to do so by the Note Trustee, subject to it being indemnified, secured and/or prefunded to its satisfaction, enforce all or any of the Issuer Security in any manner it sees fit (or in the case of instructions from the Note Trustee, the Note Trustee sees fit).

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required pursuant to the Post-Enforcement Priority of Payments to be paid *pari passu* with, or in priority to, the Notes;
- (b) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders and the other Issuer Secured Creditors, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required pursuant to the Post-Enforcement Priority of Payments to be paid *pari passu* with, or in priority to, the Notes; or
- (c) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy.

At any time after the Issuer Security has become enforceable, the Issuer Security Trustee may appoint such persons as it thinks fit to be a receiver (including, without limitation, an administrative receiver) of the Issuer Security (a "**Receiver**").

## **Protection Notice**

If at any time while any of the Notes are outstanding, a Note Event of Default or an event, condition or act which, with the giving of notice and/or the lapse of time and/or the Note Trustee making any relevant determination and/or the Note Trustee issuing any relevant certificate, would constitute a Note Event of Default (a "**Potential Note Event of Default**") occurs, or the Issuer Security Trustee believes that the Issuer Security or any part thereof is in imminent danger of being seized or sold under any form of distress, execution or diligence levied or threatened or is otherwise in imminent jeopardy, the Issuer Security Trustee may deliver a notice (a "**Protection Notice**") to the Issuer.

On the delivery of a Protection Notice, any charge created by or pursuant to the Deed of Charge and Assignment which is a floating charge shall (so far as permitted by law) crystallise. In addition, no payments (except payments of principal and interest to the Noteholders) may be made out of funds standing to the credit of the Issuer Transaction Account without the prior written consent of the Issuer Security Trustee.

The Issuer Security Trustee will be permitted at any time or, if instructed to do so by the Note Trustee, will be required (unless a Note Acceleration Notice has been given by the Note Trustee), to withdraw a Protection Notice in which case any charge created by or pursuant to the Deed of Charge and Assignment originally as a floating charge shall thereupon become and continue to be a floating charge and the payment restrictions outlined above shall cease.

### **Instructions from the Note Trustee**

When exercising its opinion and/or when exercising the rights, benefits, power, trusts, authorities, discretions and obligations expressed to be granted by the Deed of Charge and Assignment, the other Transaction Documents or by operation of law, the Issuer Security Trustee will be required (prior to the payment or repayment in full of all amounts outstanding in respect of the Notes) to take its instructions from the Note Trustee and will not take instructions from any other Issuer Secured Creditor except as otherwise expressly provided in the Deed of Charge and Assignment. In acting in accordance with such instructions, the Issuer Security Trustee will not be required to have regard to, and will not in any way be liable to the Issuer Secured Creditors or any other person for the consequences of doing so.

### **No enforcement by Issuer Secured Creditors**

Pursuant to the terms of the Deed of Charge and Assignment, each of the Issuer Secured Creditors (other than the Note Trustee acting on behalf of the Noteholders) will agree with the Issuer Security Trustee that unless and until all amounts due on the Notes have been paid in full (i) it will not take steps against the Issuer to enforce the Issuer Security or direct the Issuer Security Trustee to do so; and (ii) it will not take steps against the Issuer to recover amounts owing to it by the Issuer or procure the appointment of a receiver or analogous officer for the winding up or liquidation or examination or dissolution of the Issuer in respect of any of its liabilities whatsoever, provided that an Issuer Secured Creditor will not be prevented from taking any steps against the Issuer which do not amount either to the commencement or the threat of commencement of legal proceedings against the Issuer, or the procuring of the appointment of a receiver or analogous officer for the winding up or dissolution or examination or liquidation of the Issuer where the Issuer has funds available to it to meet its obligations or liabilities under any of the Transaction Documents to that Issuer Secured Creditor, having first taken into account all other liabilities both actual and contingent of the Issuer in respect of the Issuer Secured Liabilities which rank in priority to or *pari passu* with its obligations or liabilities to that Issuer Secured Creditor under any of the Transaction Documents.

### **Modification and waiver**

Pursuant to the terms of the Deed of Charge and Assignment, the Issuer Security Trustee will be required so long as there are any Notes outstanding, if so directed by the Note Trustee:

- (a) to concur with the Issuer, the Servicer, the Special Servicer or any other person in making any modification to any Transaction Document; and/or
- (b) to waive or authorise any proposed or actual breach of any of the covenants or provisions contained in any Transaction Document by the Issuer or any other person.

Any such modification, authorisation, waiver or determination will be binding on the Noteholders and the other Issuer Secured Creditors.

### **Fees, expenses and indemnity**

The Issuer will be required to:

- (a) pay to the Issuer Security Trustee on Note Payment Dates a fee of such amount as will be agreed by the Issuer Security Trustee and the Issuer (all such remuneration to be payable in accordance with the Priority of Payments);
- (b) reimburse the Issuer Security Trustee for all costs and expenses incurred by it in acting as Issuer Security Trustee;
- (c) indemnify the Issuer Security Trustee and its officers, employees and agents from and against all claims, actions, demands, proceedings, liabilities, losses, costs, damages, charges and expenses incurred by it or to which it may become liable in connection with the exercise of its trusts, powers, authorities and discretions pursuant to the Deed of Charge and Assignment or the other Transaction Documents, any payment in respect of the Issuer Secured Liabilities being impeached or declared void for any reason whatsoever, any failure by the Issuer to comply with its obligations to the Issuer Security Trustee or otherwise in respect of any matter done or not done relating to any of the Transaction Documents, save where the same has arisen as a result of the fraud, gross negligence or wilful default of the Issuer Security Trustee or any of its officers, employees or agents;
- (d) on the Final Maturity Date or if following final distribution of net proceeds of enforcement of the Issuer Security the Issuer Security Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer's obligations to such Party in accordance with the terms of the Transaction Documents, then such Party shall have no further claim against the Issuer or the Issuer Security Trustee in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

Each of the Issuer Secured Creditors (other than the Issuer Security Trustee) acknowledges that, when exercising its discretion and/or when exercising the rights, benefits, power, trusts, authorities, discretions and obligations expressed to be granted by the Deed of Charge and Assignment, the other Transaction Documents or by operation of law, the Issuer Security Trustee:

- (a) shall not, and shall not be bound to, take any actions, proceedings or steps or to take any other action to enforce the security constituted by the Deed of Charge and Assignment unless:
  - (i) so long as the Notes are outstanding, it has been so directed by the Note Trustee (and for the avoidance of doubt the Issuer Security Trustee shall take instructions solely from the Note Trustee and not any other Issuer Secured Creditor), or,
  - (ii) if there are no Notes outstanding, all of the other Issuer Secured Creditors

(in each case, the "**Instructing Party**"), in which case the Issuer Security Trustee will be bound to take such action in the manner instructed by the Instructing Party, provided that the Issuer Security Trustee may at all times, whether or not so directed, take such action in respect of any right, power or discretion which is personal to the Issuer Security Trustee or is to preserve or protect the Issuer Security Trustee's position or is of a purely administrative nature;

- (b) shall not have regard to, or be in any way liable to the Issuer Secured Creditors or any other person in any way for, the consequences of acting in accordance with such instructions; and

- (c) shall not be bound to take any actions, proceedings or steps if such actions, proceedings or steps are contrary to the terms of the Transaction Documents or applicable law; and
- (d) and the Issuer Security Trustee shall not be bound to take such proceedings, actions or steps unless it is indemnified, secured and/or prefunded in full against all liabilities, claims, costs, charges and expenses (including, without limitation, all properly incurred legal costs and expenses) which it might incur in connection with such action in connection with its taking of any such proceedings, actions or steps to its satisfaction.

### **Retirement and removal**

Subject to the appointment of a successor Issuer Security Trustee or there remaining at least one trustee being a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain to act as a custodian trustee or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction, to carry out the functions of a custodian trustee (a "**Trust Corporation**"), the Issuer Security Trustee will be permitted to retire at any time upon giving not less than three months prior written notice to the Issuer. In addition, the Noteholders acting by Extraordinary Resolution will have the power to remove the Issuer Security Trustee.

The retirement or removal of any Issuer Security Trustee will not be permitted to become effective unless there remains at least one Note Trustee being a Trust Corporation upon such retirement or removal.

Upon the termination or resignation of the appointment of an Issuer Security Trustee which is the sole trustee and a Trust Corporation), the Issuer will be required to use its reasonable efforts to procure that a new trustee (being a Trust Corporation) is appointed as soon as reasonably practicable thereafter provided that if the Issuer has failed to appoint a replacement Issuer Security Trustee within two months of receipt of the relevant notice, the outgoing Issuer Security Trustee will be entitled to appoint a successor (without any requirement for written approval of the Issuer or any other person) provided such successor is a reputable Trust Corporation.

The appointment of a new Issuer Security Trustee by the Issuer must be approved by an Extraordinary Resolution of the Noteholders and approved in writing by each other Issuer Secured Creditor (other than the Noteholders)(such approval not to be unreasonably withheld or delayed).

The Issuer Security Trustee will be permitted, subject to the conditions specified in the Deed of Charge and Assignment, to appoint a separate trustee or a co-trustee to act jointly with it.

### **Additional provisions of the Deed of Charge and Assignment**

The Deed of Charge and Assignment will contain a range of provisions regulating the scope of the Issuer Security Trustee's duties and liabilities. These include the following:

- (a) the Issuer Security Trustee will not be responsible for the legality, admissibility in evidence, adequacy or enforceability of the Deed of Charge and Assignment or any other Transaction Document;
- (b) the Issuer Security Trustee will be entitled to assume that no Note Event of Default or Potential Note Event of Default has occurred unless the Issuer Security Trustee has received express notice from the Issuer or the Note Trustee stating that a Note Event of Default or Potential Note Event of Default has occurred and describing that Note Event of Default or Potential Note Event of Default; and



- (c) the Issuer Security Trustee will not be required to monitor or supervise the observance and performance by the Issuer or any other person under any Transaction Document of their respective obligations thereunder.

**Governing law**

The Deed of Charge and Assignment will be governed by and construed in accordance with English law.

## DESCRIPTION OF THE NOTE TRUST DEED AND THE NOTES

### The Note Trust Deed

The Note Trust Deed will set out the forms of the Global Notes and the Definitive Notes.

The Note Trust Deed will also set out the terms under which the Note Trustee is to be appointed, the indemnification of the Note Trustee, the payments it will be entitled to receive and the scope of the Note Trustee's powers. The Note Trustee is also given the ability to appoint a delegate in the execution of any of its duties under the Note Trust Deed, subject to exercising due care in the selection of such delegate.

Pursuant to the Note Trust Deed, the Issuer will make certain covenants in favour of the Note Trustee (for the benefit of itself and on trust for the Noteholders) including, inter alia:

- to repay the principal of the Notes on the due date for the final maturity thereof, as specified in the Conditions, or such earlier date as the whole or any part thereof may become due and repayable thereunder and, until such payment, to pay interest thereon on the dates provided for in the Conditions;
- to use its reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange or, if it is unable to do so having used its reasonable efforts or if the maintenance of such listing is, in the opinion of the Issuer, unduly onerous, use its reasonable efforts to obtain and maintain a quotation or listing or admission of the Notes on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Note Trustee) decide;
- to give notice forthwith to the Note Trustee upon becoming aware of the occurrence of any Note Event of Default or any Potential Note Event of Default in respect of the Notes;
- to keep in place Paying Agents, an Agent Bank and a Registrar;
- to keep on place a Cash Manager, Servicer and Special Servicer; and
- not to make any amendment or modification to the Transaction Documents or agree to waive or authorise any breach thereof without the prior written approval of the Note Trustee.

Some of the covenants of the Issuer also appear in the Conditions (see Condition 4 (Covenants) under "*Terms and Conditions of the Notes*" on page 241).

The Note Trust Deed will also provide for the delivery to the Note Trustee (on request by the Note Trustee and, in any event, after the audited accounts of the Issuer become available in respect of each financial period) of a certificate of the Issuer signed by the directors of the Issuer to the effect that, as at a date not more than seven days before delivering such certificate (the "**relevant date**"), to the best of the knowledge, information and belief of the Issuer, there did not exist and had not existed since the relevant date of the previous certificate (or in the case of the first such certificate, the Closing Date) any Note Event of Default or Potential Note Event of Default in respect of the Notes, except to the extent specified in the certificate, and that during the period from and including the relevant date of the last such certificate (or in the case of the first such certificate, the Closing Date) to and including the relevant date of such certificate the Issuer has complied with all its obligations under the Note Trust Deed, except to the extent specified in such certificate.

## **Consideration of the interests of Noteholders**

Pursuant to the terms of the Note Trust Deed, the Note Trustee will be required, as regards all the powers, trusts, authorities, duties and discretions vested in it by the Notes and the Transaction Documents, except where expressly provided otherwise, to have regard to the interests of the Noteholders, but not to the interests of any other Issuer Secured Creditor.

It will not be possible to amend certain basic terms of the Notes without the consent of the Noteholders by Extraordinary Resolution.

## **Fees, expenses and indemnity**

The Issuer will be required to:

- (a) pay to the Note Trustee on Note Payment Dates a fee of such amount as will be agreed by the Note Trustee and the Issuer (all such remuneration will be payable in accordance with the Priority of Payments);
- (b) reimburse the Note Trustee for all costs and expenses properly incurred by it in acting as Note Trustee; and
- (c) indemnify the Note Trustee and its officers, employees and agents from and against all liabilities, losses, damages, costs, charges, expenses, actions, proceedings, claims and demands incurred by it in the execution or purported execution of any of the duties, powers, authorities, rights, discretions or trusts of the Note Trust Deed or under or in respect of the other Transaction Documents or of their powers or in respect of any matter or thing done or omitted in any way relating to the Note Trust Deed or under or in respect of the other Transaction Documents.

The Note Trustee shall not be bound to take any action in connection with the Note Trust Deed, the Notes and any documents executed pursuant thereto or any of the other Transaction Documents to which the Note Trustee is a party or obligations arising pursuant thereto, including, without prejudice to the generality of the foregoing, forming any opinion or employing any legal, financial or any other professional adviser, where it is not satisfied that it will be indemnified and/or secured and/or prefunded in full against all liabilities, claims, costs, charges and expenses (including, without limitation, all legal costs and expenses) which it might incur in connection with such action and may demand prior to taking any such action that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it and on such demand being made to the Issuer, the Issuer shall be obliged to make payment of such sums in full.

## **Retirement and removal**

Subject to the appointment of a successor Note Trustee or there remaining at least one trustee being a Trust Corporation, the Note Trustee will be permitted to retire at any time upon giving not less than three months' prior written notice to the Issuer. In addition the Noteholders will have the power to remove any Note Trustee.

The retirement or removal of any Note Trustee will not be permitted to become effective unless there remains at least one Note Trustee being a Trust Corporation upon such retirement or removal.

Upon the termination or resignation of the appointment of a Note Trustee which is the sole trustee and a Trust Corporation), the Issuer will be required to use its reasonable efforts to procure that a new trustee (being a Trust Corporation) is appointed as soon as reasonably practicable thereafter provided that if the Issuer has failed to appoint a replacement Note

Trustee within two months of receipt of the relevant notice, the outgoing Note Trustee will be entitled to appoint a successor (without any requirement for written approval of the Issuer or any other person) provided such successor is a reputable Trust Corporation.

The Note Trustee will be permitted, subject to the conditions specified in the Note Trust Deed, to appoint a separate trustee or a co-trustee to act jointly with it.

### **Additional Provisions of the Note Trust Deed**

In addition to the above, the Note Trust Deed will set out:

- (a) when, and the terms upon which, the Note Trustee will be entitled or obliged, as the case may be, to take steps to enforce the Issuer's obligations under the Notes or to take other proceedings, actions or steps under or in connection with the Notes and the other Transaction Documents;
- (b) the extent of the Note Trustee's powers and discretions, including its rights to act upon the advice of certain experts and to rely upon certain documents without being bound to call for further evidence;
- (c) the scope of the Note Trustee's liability on the basis of gross negligence, wilful default or fraud in connection with the exercise of its duties;
- (d) the terms upon which the Note Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of any of the covenants or provisions contained in the Note Trust Deed (including the Conditions), the Notes or any of the other Transaction Document or determine that a Note Event of Default or Potential Note Event of Default will not be treated as such;
- (e) the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction any modification (except a Basic Terms Modification) to the Notes or to the terms of the Note Trust Deed (including the Conditions) or any of the other Transaction Documents; and
- (f) the requirements for and organisation of Noteholder meetings. The Conditions will form part of the Note Trust Deed.

### **Governing law**

The Note Trust Deed and the Notes will be governed by and construed in accordance with English law.

### **The Agency Agreement**

The Agency Agreement will contain the detailed provisions as to the appointment of the Paying Agents and other Agents and will regulate how payments will be made on the Notes and how determinations and notifications will be made. The Agency Agreement will be governed by and construed in accordance with English law.

### **Description of the Notes**

*The information set out below has been obtained from sources that the Issuer believes to be reliable and the Issuer accepts responsibility for correctly reproducing this information, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect, and investors wishing*

*to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee, the Issuer Security Trustee or any Agent party to the Agency Agreement (or any affiliate of any of the above, or any person by whom any of the above is controlled) will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

### **General**

The Notes (which will each be in the denomination of £100,000 and integral multiples of £1,000 in excess thereof) will be held under the new safekeeping structure and represented by a Global Note in registered form without interest coupons or talons. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon deposit of the Global Notes, Euroclear and/or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes and equal to the principal amount thereof for which each such subscriber has subscribed and paid.

### **Holding of Beneficial Interests in Global Notes**

Ownership of beneficial interests in respect of Global Notes will be limited to persons that are shown on the records of Euroclear or Clearstream, Luxembourg as a holder of a Note ("**Direct Participants**") or persons that hold beneficial interests in the Global Notes through Direct Participants ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg either directly or indirectly. Indirect Participants also include persons that will hold beneficial interests in the Notes through other Indirect Participants.

Beneficial interests in Global Notes will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Ownership of beneficial interests in Global Notes will be shown on, and transfers of beneficial interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of the Direct Participants) and on the records of Direct Participants or Indirect Participants (with respect to the interests of the relevant beneficial owners). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdictions or otherwise subject to the laws thereof to own, transfer or pledge beneficial interests in the Global Notes.

Except as set forth below under "*- Issuance of Definitive Notes*", Direct Participants and Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in the form of individual registered note certificates and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a beneficial interest in a Global Note must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Direct Participant and/or Indirect Participants through which such person owns its beneficial interest in the relevant Global Note to exercise any rights and obligations of a holder of Notes under the Note Trust Deed.

Unlike legal owners or holders of the Notes, holders of beneficial interests in the Global Notes will not have the right under the Note Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of a beneficial interest in a Global Note will be permitted to act only to the extent it

has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in Global Notes to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Note Event of Default under the Notes, holders of beneficial interests in the Global Notes will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Note Trust Deed and the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfer of beneficial interests in the Global Notes among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

### **Payments on Global Notes**

Each payment of interest on and repayment of principal of the Notes will be made in accordance with the Agency Agreement.

Payments of any amounts owing in respect of the Global Notes will be made by the Paying Agents following receipt of any principal and/or interest on the Global Notes, in pounds sterling to, or to the order of, the relevant accounts of the persons appearing in the records of Euroclear and Clearstream, Luxembourg as the holders of the beneficial interests in respect of such Notes in accordance with the Conditions, the Agency Agreement and the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Under the terms of the Note Trust Deed, the Issuer and the Note Trustee will be required to treat the registered holders of Global Notes as the owners thereof for the purposes of receiving payments and for all other purposes. Consequently, none of the Issuer, the Issuer Security Trustee, the Note Trustee or any agent of the Issuer, the Issuer Security Trustee or the Note Trustee has or will have any responsibility or liability for:

- (a) any aspect of the records of Euroclear or Clearstream, Luxembourg or any Participant relating to or payments made on account of a beneficial interest or book-entry interest in a Global Note or for maintaining, supervising or reviewing any of the records of Euroclear or Clearstream, Luxembourg or any Participant relating to or payments made on account of a beneficial interest in a Global Note; or
- (b) Euroclear or Clearstream, Luxembourg or any Participant.

The Note Trustee will be entitled to rely on any certificate issued by or other form of record made by Euroclear or Clearstream, Luxembourg for determining the identity of the several persons who are for the time being the beneficial holders of any beneficial interest in a Global Note.

All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment by the common safekeeper, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of beneficial interests in the Global Notes as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of beneficial interests in Global Notes held through such Participants will be governed by standing customer instructions and customary practices. Such payments will be the responsibility of such Participants. None of the Issuer, the Note Trustee, the Issuer Security Trustee, the Agents or any other agent of the Issuer, the Note Trustee, the Issuer Security Trustee or any Agent will have any responsibility or liability for any aspect of the records of Euroclear or Clearstream, Luxembourg relating to or payments made by Euroclear or Clearstream, Luxembourg on account of a Participant's ownership of beneficial interests in Global Notes or for maintaining, supervising or reviewing any records relating to a Participant's ownership of beneficial interests in the Global Notes.

### ***Book-Entry Ownership***

Each Global Note will have an ISIN and a Common Code and will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg.

### ***Information Regarding Euroclear and Clearstream, Luxembourg***

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Global Notes and secondary market trading of beneficial interests in the Global Notes.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

As Euroclear and Clearstream, Luxembourg act on behalf of their respective account holders only, who in turn may act on behalf of their respective clients, the ability of beneficial owners who are not account holders with Euroclear or Clearstream, Luxembourg to pledge interests in the Global Notes to persons or entities that are not account holders with Euroclear or Clearstream, Luxembourg, or otherwise take action in respect of interests in the Global Notes, may be limited.

The Issuer understands that under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of beneficial interests in Global Notes or if an owner of a beneficial interest in a Global Note desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the Direct Participants owning the relevant beneficial interests to give instructions or take such action, and such Direct Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

### ***Redemption***

For any redemptions of a Global Note in part, selection of the book-entry interests relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such other basis as Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only book-entry interests in the original principal amount of £100,000 or integral multiples of such original principal amount (and integral multiples of £1,000 in excess thereof) will be redeemed. Upon any redemption in part, the Registrar will record the amount of principal repaid in the Register with respect to such Global Note.

### ***Transfer and Transfer Restrictions***

All transfers of beneficial interests in Global Notes will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants.

### **Transfer of Global Notes**

The Global Notes may be transferred by the only to another common safekeeper of Euroclear and/or Clearstream, Luxembourg.

### **Issuance of Definitive Notes**

Holders of beneficial interests in a Global Note will be entitled to receive Definitive Notes in exchange for their respective holdings of beneficial interests only if:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of Luxembourg or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in the form of individual registered note certificates.

Any Definitive Notes issued in exchange for beneficial interests in a Global Note will be registered by the Registrar in such name or names as instructed by Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant beneficial interests. In no event will Definitive Notes be issued in bearer form.



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to completion and amendment) in which they will be set out in the Note Trust Deed.*

AYR ISSUER S.A. (the "**Issuer**") has agreed to issue the £107,262,000 Secured Floating Rate Notes due 2024 (the "**Initial Notes**"). The issue of the Initial Notes by the Issuer was authorised by resolutions of the board of directors of the Issuer dated 19<sup>th</sup> August 2014. From time to time, the Issuer may, in accordance with Condition 18 (*Further Issues*), issue further Notes (the "**Additional Notes**"). Together, the Initial Notes and any Additional Notes are referred to in these Conditions as (the "**Notes**"). The Notes are constituted by a trust deed dated on or about 29<sup>th</sup> August 2014 (the "**Closing Date**") (the "**Note Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer and U.S. Bank Trustees Limited in its capacity as note trustee (the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Note Trust Deed) as trustee for the holders for the time being of the Notes and are subject to these terms and conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly).

The respective holders of the Notes, are referred to in these Conditions as the "**Noteholders**".

The security for the Notes is constituted by, and on terms set out in, a deed of charge and assignment dated on or about the Closing Date (the "**Deed of Charge and Assignment**"), which expression includes such deed of charge and assignment as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified), and made between, among others, the Issuer and U.S. Bank Trustees Limited in its capacity as issuer security trustee (the "**Issuer Security Trustee**", which expression includes its successors or any further or other trustee under the Deed of Charge and Assignment). By an agency agreement dated on or about the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, Elavon Financial Services Limited, UK Branch in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the Notes) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**"), agent bank (the "**Agent Bank**", which expression includes any other agent bank appointed in respect of the Notes) and as registrar for the Notes (the "**Registrar**", which expression includes any other registrar appointed in respect of the Notes, and, together with the Paying Agents and the Agent Bank, the "**Agents**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The provisions of these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement and a master definitions schedule dated on or about the Closing Date and signed for identification purposes only by Berwin Leighton Paisner LLP (the "**Master Definitions Schedule**"), which expression includes such master definitions schedule as from time to time modified in accordance with the provisions of the Note Trust Deed). Copies of the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement and

the Master Definitions Schedule will be available in electronic form from, or will be available for inspection by the Noteholders (in physical form) during business hours at, the registered office for the time being of the Issuer, being at the date hereof at 9B Boulevard Prince Henri, L-1724, Luxembourg and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Note Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Cash Management Agreement, the Corporate Services Agreement, the Servicing Agreement, the Share Declaration of Trust and the Master Definitions Schedule.

The provisions set out in articles 86 to 97 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended, shall not apply to the Notes.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 19<sup>th</sup> August 2014.

Capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions Schedule.

## 1 GLOBAL NOTES

The Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S**") under the Securities Act will initially each be represented by one permanent global note in fully registered form for the Notes (the "**Global Note**"). The Global Note will be deposited with and held by a common safekeeper for Euroclear and Clearstream, Luxembourg.

### (a) Form and Title

The Global Note shall be issued in fully registered form without any coupons attached.

Each Global Note will be serially numbered which will be recorded in the register (the "**Register**") which the Issuer will procure will be kept by the Registrar at its specified office.

The person in whose name a Note is registered at that time in the Register will, to the fullest extent permitted by applicable law, be deemed and be treated as the absolute owner of such Note by all persons and for all purposes (including the making of any payments), regardless of any notice to the contrary, any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing on that Note (other than the endorsed form of transfer).

No transfer of a Note will be valid unless and until entered on the Register. Transfers and exchanges of beneficial interests in the Global Note and entries on the Register relating to the Notes will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Note Trust Deed and the relevant legends appearing on the face of the Notes (such regulations and legends being the "**Transfer Regulations**"). Each transfer or purported transfer of a beneficial interest in a Global Note or a Definitive Note made in violation of the Transfer Regulations shall be void *ab initio* and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary. The Transfer Regulations may

be changed by the Issuer with the prior written approval of the Note Trustee, acting in accordance with the provisions of Condition 13 (*Meetings of Noteholders, Modifications, Waiver and Substitution*). A copy of the current Transfer Regulations will be sent by the Registrar to any holder of a Note who so requests and by the Principal Paying Agent to any holder of a Note who so requests, at the cost of the relevant Noteholder making such request.

Ownership of interests in respect of the Global Note (the "**Unrestricted Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons who hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their participants. Beneficial interests in the Global Note may not be held by a U.S. Person (as defined in Regulation S under the Securities Act) at any time.

(b) Denomination

The Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

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**DEFINITIVE NOTES**

(a) Issue of Definitive Notes

The Global Note will be exchanged for individual registered note certificates in registered form (each a "**Definitive Note**") in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 6(e) (Principal Amount Outstanding and Note Factor)) of the Global Note only if any of the following circumstances apply:

- (i) Either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is in existence; or
- (ii) as a result of any amendment to, or change in, the laws or regulations of Luxembourg or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in the form of individual registered note certificates.

If Definitive Notes are issued in accordance with the Note Trust Deed the Book-Entry Interests represented by the Global Note shall be exchanged by the Issuer for Definitive Notes ("**Definitive Notes**").

The aggregate principal amount of the Definitive Notes to be issued will be equal to the aggregate Principal Amount Outstanding of the relevant Global

Note, at the date on which notice of such issue of Definitive Notes is given to the Noteholders, subject to and in accordance with these Conditions, the Agency Agreement, the Note Trust Deed and the Global Note. The Definitive Notes shall be issued in registered form only.

(b) Title to and transfer of Definitive Notes

Title to a Definitive Note will pass upon registration in the Register. A Definitive Note will have a minimum original principal amount of £100,000 and will be serially numbered. A Definitive Note may be transferred in whole or in part (provided that any partial transfer relates to an original principal amount of £100,000) upon surrender of such Definitive Note, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set forth in such Definitive Notes and the Transfer Regulations.

Each new Definitive Note to be issued upon the transfer, in whole or in part, of a Definitive Note will, within five Business Days (as defined in Condition 5(b) (*Note Payment Dates and Note Interest Periods*)) of receipt of the Definitive Note to be transferred, in whole or in part, (duly endorsed for transfer) at the specified office of the Registrar, be available for delivery at the specified office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Note to such address as may be specified in the form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other government charges which may be imposed in relation to it and, only if the relevant Definitive Note is presented or surrendered for transfer and endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by the transferor Noteholder (or his attorney duly authorised in writing) and upon receipt of such certificates and other documents as shall be necessary to evidence compliance with the restrictions on transfer contained in the relevant Definitive Note, the Note Trust Deed and the Agency Agreement.

No transfer of a Definitive Note will be registered in the period beginning 15 Business Days before, or ending on the fifth Business Day after, each Note Payment Date.

For the purposes of these Conditions:

- (i) the "**holder**" of a Note or "**Noteholder**" means (a) in respect of each Global Note, the person in whose name such Global Note is registered at that time in the Register, and (b) in respect of any Definitive Note issued under Condition 2(a) (Issue of Definitive Notes), the person in whose name such Definitive Note is registered (or, in the case of a joint holding, the first named thereof), subject as provided in Condition 7(b) (Definitive Notes), and related expressions shall be construed accordingly; and
- (ii) references herein to "**Notes**" shall include the Global Notes and the Definitive Notes.

**STATUS, SECURITY AND PRIORITY**

## (a) Status and Relationship among the Notes

- (i) The Notes constitute direct, secured and, subject to the limited recourse provisions in Condition 12 (*Limited Recourse*), unconditional obligations of the Issuer and are secured by the Issuer Security (as more particularly described in Condition 3(b)).
- (ii) Subject to Condition 5 (Interest and Additional Payments) and Condition 6 (Redemption and Cancellation), the Notes will rank *pari passu* and without preference or priority among the Notes.
- (iii) Except where expressly provided otherwise in the Transaction Documents, so long as any of the Notes remain outstanding, the Issuer Security Trustee may be directed to act only on the instructions of the Note Trustee (on behalf of the Noteholders) and will not take instructions from any other Issuer Secured Creditor.

## (b) Issuer Security

The security interests granted in respect of the Notes are set out in the Deed of Charge and Assignment. Pursuant to the Deed of Charge and Assignment, the Issuer has granted the Issuer Security in favour of the Issuer Security Trustee for itself and on trust for the Noteholders, the Note Trustee and the other Issuer Secured Creditors.

Pursuant to the Deed of Charge and Assignment, the Issuer with full title guarantee has created the following security (the "Issuer Security") in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors:

- (i) a first fixed charge over the Issuer's rights, title, interest and benefit, present and future, in, to and under the Finance Documents, the Loan and the Loan Security;
- (ii) an assignment by way of first ranking fixed security of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents and all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party (other than the Deed of Charge and Assignment);
- (iii) a fixed first charge over the Issuer's rights, title, interest and benefit, present and future, in, to and under the Issuer Transaction Account and in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Transaction Account and to any other bank, securities or other account opened and maintained in England and Wales in which the Issuer may place and hold its cash or securities resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby (other than the Share Capital Account and the Interest Reserve Account); and
- (iv) a first-ranking floating charge governed by English law over the whole of the assets, undertaking and property of the Issuer,

present and future (other than any property or assets of the Issuer subject to the assignments by way of security and the fixed charges set out in Conditions 3(b)(i) to 3(b)(iii)) but extending over all of the undertaking and assets of the Issuer, present and future.

The floating charge created under the Deed of Charge and Assignment is a qualifying floating charge for the purposes of paragraph 14 of Schedule B1 to the Insolvency Act of 1986.

The Deed of Charge and Assignment contains provisions regulating the priority of application of the Issuer Security (and the proceeds thereof) by the Cash Manager among the persons entitled thereto prior to the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full and provisions regulating such application by the Issuer Security Trustee after the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full.

(c) Disposal of Issuer Security upon enforcement

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes; or
- (ii) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Issuer Security Trustee, upon which the Issuer Security Trustee shall be entitled to rely, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes; or
- (iii) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy.

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**COVENANTS**

(a) Restrictions

Save with the prior written consent of the Note Trustee or unless otherwise provided in or envisaged by these Conditions or the Transaction Documents, the Issuer shall, so long as any Note remains outstanding:

- (i) Negative Pledge

not create or permit to subsist any mortgage, standard security, sub-mortgage, sub-standard security, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation, assignment or assignation by way of security or any other security interest whatsoever over any of its assets, present or future, (including any uncalled capital);

(ii) Restrictions on Activities

- (A) not engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (B) not have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment;
- (C) not amend, supplement or otherwise modify its memorandum or articles of association or other constitutive documents; or
- (D) not engage, or permit any of its affiliates, to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under United States federal income tax principles, and hold, or permit any of its affiliates to hold, any property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(iii) Disposal of Assets

not transfer, convey, assign, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein other than as expressly contemplated by the Transaction Documents;

(iv) Dividends or Distributions

not pay any dividend or make any other distribution to its shareholders or issue any further shares except the annual dividend paid to the Issuer's shareholders pursuant to the Cash Management Agreement;

(v) Borrowings

not incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, other than in respect of the Notes (including the issuance of any Additional Notes pursuant to Condition 18 (*Further Issues*)) or the Servicing Agreement or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

(vi) Merger

not consolidate or merge with any other person or convey or transfer all or substantially all of its property or assets to any other person;

(vii) Variation

not permit any of the Transaction Documents to which it is a party to become invalid or ineffective, or the priority of the security interests created thereby to be reduced, amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of the Note Trust Deed, these Conditions, the Deed of Charge and Assignment or any of the other Transaction Documents, or permit any party to any of the Transaction Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations or dispose of all or any part of the Issuer Security;

(viii) Bank Accounts

not have an interest in any bank account other than the Issuer Transaction Account, the Interest Reserve Account and the Share Capital Account, unless such account or interest therein is charged or security is otherwise provided to the Issuer Security Trustee on terms acceptable to it;

(ix) Assets

not own assets other than those representing its share capital, the funds arising from the issue of the Notes (including any Additional Notes), the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Finance Documents, the benefit of the Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(x) Equitable Interest

not permit any person other than the Issuer and the Issuer Security Trustee to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein except as otherwise provided for in the Transaction Documents;

(xi) US Activities

not engage in any activities in the United States (directly or through agents) or derive any income from United States sources that is subject to any United States withholding tax as determined under United States income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States tax principles;

(xii) Purchase of Notes



not purchase any of the Notes;

(xiii) Business Establishment

not have any other business establishment or other fixed establishment other than in Luxembourg;

(xiv) Centre of Main Interests

conduct its business and affairs such that, at all times, its centre of main interests for the purposes of the EU Insolvency Regulation (EC) No. 1346/2000 of 29 May 2000 as amended shall be and remain in Luxembourg; and

(xv) Tax Status

ensure that it is at all times solely resident in Luxembourg for Luxembourg tax purposes and has no branch, business establishment or other fixed establishment outside Luxembourg:

In giving any consent to the foregoing, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Note Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders but subject to the terms of the Transaction Documents.

(b) Cash Manager, Servicer and Special Servicer

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Issuer Transaction Account and any other account of the Issuer from time to time and a servicer and a special servicer in respect of the Loan and the Loan Security. None of the Cash Manager, the Servicer or the Special Servicer will be permitted to terminate its appointment unless a replacement cash manager, servicer or special servicer, as the case may be, acceptable to the Issuer and the Issuer Security Trustee has been appointed.

5 **INTEREST AND ADDITIONAL PAYMENTS**

(a) Period of Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) 29<sup>th</sup> August 2014.

In addition, with respect to the Notes, payment shall accrue thereon from (and including) the Closing Date.

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, in the case of the Global Note, upon due presentation, or otherwise in the case of a Definitive Note, payment of the relevant amount of principal or any part thereof is improperly withheld or refused on the Global Note or any Definitive Note, as applicable.

Where such payment of principal is improperly withheld or refused on any Note, interest will continue to accrue thereon (before as well as after any

judgment) at the rate applicable to such Note up to (but excluding) the date on which payment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 16 (Notice to Noteholders) (or individually) that, upon presentation thereof being duly made, in the case of a Global Note, or otherwise in the case of a Definitive Note, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest for any period (including any Note Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed and a 365 day year.

(b) Note Payment Dates and Note Interest Periods

Interest on the Notes is payable quarterly in arrear on the 10<sup>th</sup> day of February, May, August and November in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each a “**Note Payment Date**”) in respect of the Note Interest Period ending on or immediately prior thereto. The first Note Payment Date in respect of the Notes will be the Note Payment Date falling in November 2014.

In these Conditions:

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Luxembourg.

“**Note Interest Period**” shall mean the period from (and including) the Closing Date to (but excluding) 10<sup>th</sup> November 2014 and, thereafter each successive quarterly period from (and including) the relevant Note Payment Date to (but excluding) the next following Note Payment Date (ignoring for this purpose any adjustment for a Note Payment Date falling on a day which is not a Business Day) respectively.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Notes (the “**Rate of Interest**”) will be determined by the Agent Bank on the basis of the following provisions.

The Agent Bank will at, or as soon as practicable after, 11 am (London time) on the first day of the Note Interest Period for which the rate will apply (the “**Interest Rate Determination Date**”), determine the Rate of Interest applicable to, and calculate the amount of interest payable on each of the Notes, for the Note Interest Period immediately following such Interest Rate Determination Date.

The Rate of Interest applicable to the Notes for any Interest Period will be equal to (A) LIBOR (as determined in accordance with this Condition 5(c) (“**LIBOR**”) plus (B) the Relevant Margin.

For the purposes of determining the Rate of Interest in respect of the Notes, LIBOR will be determined by the Agent Bank on the basis of the following provisions:

- (A) on each Interest Rate Determination Date, the Agent Bank will determine at or about 11.00 am (London time) on such date the interest rate for three month London inter-bank market which appears on the display designated by the ICE Benchmark Administration 's Interest Settlement Rate as quoted on LIBOR 01 of the Reuters screen service (the "**LIBOR Screen Rate**") (or, in respect of the first such Note Interest Period, the arithmetic mean of a linear interpolation of the rates for two month and three month sterling deposits) (or (i) such other page as may replace the display designated by the ICE Benchmark Administration 's Interest Settlement Rate as quoted on LIBOR 01 of the Reuters screen service on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Moneyline/Telerate Monitor); or
- (B) if the LIBOR Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.000005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four Reference Banks duly appointed for such purpose (the "**Reference Banks**") as the rate at which three month deposits in sterling are offered for the same period as that Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 am (London time) on that date (or, in respect of the first Note Interest Period, the arithmetic mean of a linear interpolation of the rates for two month and three month sterling deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the sole opinion of the Note Trustee suitable for such purpose) and the rate for the Note Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Note Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by

major banks in London, selected by the Agent Bank, at approximately 11.00 am (London time) on the Closing Date or the relevant Interest Determination Date, as the case may be, for loans in GBP to leading London banks for a period of three months or, in the case of the first Note Interest Period, the same as the relevant Interest Period.

**"Business Day"** means a day (other than a Saturday or a Sunday) on which banks are open for business in London and Luxembourg.

For the purposes of these Conditions, **"Relevant Margin"** means 1.45 per cent. per annum for any Note Interest Period from and including the Closing Date prior to 10<sup>th</sup> August 2019 (the **"Step-Up Date"**) and, if the Loan Final Maturity Date is extended in accordance with the terms of the Borrower Facility Agreement, for any Note Interest Period falling from and including the Step-Up Date until the Final Maturity Date, 2.05 per cent. per annum (being the **"Step-up Margin"**).

(d) Calculation of Interest Amounts for the Notes

The Agent Bank shall, on or as soon as practicable after each Determination Date, but in no event later than the first day of the relevant Note Interest Period, calculate and notify the Issuer, the Note Trustee, the Cash Manager and the Paying Agents in writing of the sterling amount payable in respect of interest (the "Interest Amount") for the Notes subject to Condition 5(b) (*Note Payment Dates Note Interest Periods*) and Condition 5(c) (Rate of Interest), in respect of the Note Interest Period commencing on the Note Payment Date immediately following such Determination Date.

The Interest Amount for the Notes in respect of the Note Interest Period (or any other period) shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Notes, multiplying such sum by the actual number of days in the relevant Note Interest Period divided by 365 then rounding the resultant figure down to the nearest penny.

(e) Publication of Interest Amounts and other Notices

As soon as practicable after receiving notification thereof, the Issuer will cause the Interest Amount applicable to the Notes and the Note Payment Date in respect thereof to be notified in writing to the Luxembourg Stock Exchange Limited (the **"Luxembourg Stock Exchange"**) (for so long as the Notes are listed on the Luxembourg Stock Exchange) and will cause notice thereof to be given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*). The Interest Amounts, Note Payment Date and other determinations so notified in respect of the Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period for the Notes.

(f) Calculation by the Note Trustee

If the Agent Bank does not at any time for any reason calculate the Interest Amount for the Notes and/or make any other necessary calculations in accordance with this Condition 5, the Note Trustee shall (or shall appoint an agent, on its behalf to) calculate the Interest Amount for

the Notes in the manner specified in Condition 5(c) (Rate of Interest) and/or make such other necessary calculations in the manner specified in this Condition 5 and any such determination and/or calculation shall be deemed to have been made by the Agent Bank and the Note Trustee shall have no liability in respect thereof.

(g) Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Agent Bank or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Note Trustee, the Servicer, the Special Servicer, the Cash Manager, the Paying Agents and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) Agent Bank

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall, at all times, be an Agent Bank. Any purported resignation or termination of the appointment of the Agent Bank shall not take effect until a successor agent bank approved by the Note Trustee has been appointed.

6 **REDEMPTION AND CANCELLATION**

(a) Final Redemption

Unless previously redeemed in full and cancelled as provided in this Condition 6, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the "**Final Maturity Date**", being the Note Payment Date falling in August 2024.

The Issuer may not redeem Notes in whole or in part prior to the Final Maturity Date except as provided in this Condition 6 but without prejudice to Condition 10 (*Note Events of Default*).

(b) Mandatory Redemption from Principal Distribution Amounts

Unless such Notes are previously redeemed in full and cancelled as provided in this Condition 6 or the Notes have otherwise become due and repayable in full, the Notes will be subject to mandatory early redemption in part or in full on each Note Payment Date in accordance with the Pre-Enforcement Priority of Payments set out in the Deed of Charge and Assignment in an amount not exceeding the Principal Distribution Amount for such Note Payment Date.

For the purposes of these Conditions, "**Principal Distribution Amount**", in respect of any Note Payment Date, means the amount calculated by the Cash Manager on the Determination Date immediately preceding such Note Payment Date pursuant to the terms of the Cash Management Agreement as the Principal Receipts received by the Issuer in the relevant Collection Period.

(c) Optional Redemption for Tax or other Reasons

If either:

- (i) on the next Note Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest or any other amount in respect of any Note any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) on or prior to the next Note Payment Date, a Borrower would be required to deduct or withhold from any payment of principal or interest or any other amount in respect of the Loan any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature;
- (iii) by reason of a change of law since the Closing Date, it has become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any part of the Loan; or
- (iv) by reason of a change in the tax law (or the application or official interpretation thereof) of Luxembourg since the Closing Date, the Issuer will not be taxed in accordance with the Luxembourg law of 22 March 2004 on securitisation (as amended) and in such circumstances, would not be entitled to relief for Luxembourg tax purposes for any material amount which it is obliged to pay, or would be treated as receiving for Luxembourg tax purposes any material amount which it is not entitled to receive, in each case under the Transaction Documents,

then the Issuer may, on any Note Payment Date on which any one or more events specified in Condition 6(c)(i), Condition 6(c)(ii), Condition 6(c)(iii) or Condition 6(c)(iv) is continuing, having given not more than 60 and not less than 30 days' notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 16 (*Notice to Noteholders*), redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with interest accrued and unpaid thereon, provided that in any case and prior to the giving of any such notice, the Issuer has provided to the Note Trustee:

- (A) a certificate signed by two directors of the Issuer stating the circumstances referred to in Condition 6(c)(i), Condition 6(c)(ii), Condition 6(c)(iii) and/or Condition 6(c)(iv) prevail and setting out the details of such circumstances;
- (B) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisors of recognised standing to the effect that the circumstances referred to in Condition 6(c)(i), Condition 6(c)(ii), Condition 6(c)(iii) and/or Condition 6(c)(iv) prevail in relation to the Issuer.

The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in Condition 6(c)(i), Condition 6(c)(ii) and/or Condition 6(c)(iii), in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Notes as aforesaid if, on the relevant Note Payment Date, no Note Acceleration Notice has been served and the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will, on the relevant Note Payment Date, have the funds, not subject to the interest of any other person, required to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(c) and any amounts required to be paid in priority to or *pari passu* with such liabilities, which certificate shall be conclusive and binding.

(d) Optional Redemption in Full

Upon giving not more than 60 and not less than 30 days' notice to the Note Trustee, the Paying Agents and the Noteholders in accordance with Condition 16 (Notice to Noteholders), the Issuer may, on any Note Payment Date, redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with interest accrued and unpaid thereon.

The Issuer may only redeem the Notes as aforesaid if, on the relevant Note Payment Date, no Note Acceleration Notice has been served and the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will, on the relevant Note Payment Date, have the funds, not subject to the interest of any other person, required to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(d) and any amounts required to be paid in priority to or *pari passu* with such liabilities, which certificate shall be conclusive and binding.

(e) Principal Amount Outstanding and Note Factor

On each Note Payment Date, the Cash Manager shall determine:

- (i) the Principal Amount Outstanding of each Note on the next following Note Payment Date (after deducting any principal payment to be paid on such Note on that Note Payment Date); and
- (ii) the fraction expressed as a decimal to the sixth place (the "**Note Factor**"), the numerator of which is equal to the Principal Amount Outstanding (after deducting any principal payment to be paid on that Note Payment Date) of a Note (calculated on the assumption that the face amount of such Note on the Closing Date is £100,000) and the denominator of which is £100,000.

Each determination by the Cash Manager of the Principal Amount Outstanding of a Note and the Note Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The “**Principal Amount Outstanding**” of a Note on any date will be its face amount less the aggregate amount of principal repayments and prepayments made in respect of that Note since the Closing Date.

The Issuer (or the Cash Manager on its behalf) will cause each determination of a Principal Amount Outstanding and the Note Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Rating Agency, the Agent Bank and (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange and will cause notice of each determination of a Principal Amount Outstanding and the Note Factor to be given to the Noteholders in accordance with Condition 16 (Notice to Noteholders) as soon as reasonably practicable thereafter.

If the Issuer (or the Cash Manager on its behalf) does not at any time for any reason determine a Principal Amount Outstanding or the Note Factor in accordance with the preceding provisions of this Condition 6(e), such Principal Amount Outstanding and the Note Factor may be determined by or on behalf of the Note Trustee, in accordance with this Condition 6(e), and each such determination or calculation shall be conclusive and shall be deemed to have been made by the Issuer or the Cash Manager, as applicable, and the Note Trustee shall have no liability in respect thereof.

(f) Notice of Redemption

Any such notice as is referred to in Condition 6(c) (*Optional Redemption for Tax or other Reasons*) and Condition 6(d) (Optional Redemption in Full) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in the amounts specified in these Conditions. For so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will, as soon as reasonably practicable after becoming aware that the same will occur, the Issuer will cause notice of the redemption of the Notes to be given to the Luxembourg Stock Exchange.

(g) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith and may not be resold or re-issued.

(h) No Purchase by Issuer

The Issuer will not purchase any of the Notes.

(i) Regulatory transfer or redemption

In addition, if a holder or beneficial owner of a Note fails for any reason to provide the Issuer and the Note Trustee information or documentation, or to update or correct such information or documentation, as may be necessary or helpful (in the sole determination of the Issuer or the Note Trustee or their agents, as applicable) to achieve compliance with FATCA and any related provisions of law, court decisions, or administrative guidance, including the Issuer entering into and complying with an agreement with the IRS contemplated by Section 1471(b) of the Code (or any Luxembourg law implementing an IGA), in each case as necessary so that no tax will be imposed or withheld under FATCA in respect of



payments to or for the benefit of the Issuer, or such information or documentation is not accurate or complete, the Issuer may:

- (A) compel or effect the sale of Notes held by any such holder that fails to sell its Notes within 30 days of notice from the Issuer or Note Trustee of its failure to comply with the foregoing requirement,
- (B) assign to such Note a separate CUSIP number or numbers; and
- (C) make other amendments to the Note Trust Deed to enable the Issuer to comply with FATCA (including providing for remedies against, or imposing penalties upon, any holder or beneficial owner who fails to deliver to the Issuer information requested by the Issuer that is required by FATCA or a related rule or published IRS interpretation (or any Luxembourg law implementing an IGA) to enable the Issuer to comply with FATCA.

(j) Prepayment Premium

On each Determination Date, the Cash Manager shall, in accordance with the terms of the Cash Management Agreement, determine the amount of any Prepayment Fees received by the Issuer in the Collection Period ending on such Determination Date and the amounts so determined for the Notes (the "**Prepayment Premium**") shall be payable by the Issuer to the Noteholders in accordance with the applicable Priority of Payments and following payment of any prior ranking amounts on the Note Payment Date immediately following such Determination Date.

7 **PAYMENTS**

(a) Global Note

Payments of principal, interest and other amounts in respect of the Global Note will be made only against presentation (and in the case of final redemption of the Global Note or in circumstances where the unpaid principal amount of the Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of the Global Note), surrender) of the Global Note at the specified office of any Paying Agent.

Each payment in respect of a Note will be made to the person shown as the holder (or, in the case of a joint holding, the first named thereof) on the Register at the close of business two days before the due date for such payment (the "**Record Date**").

A record of each payment so made, distinguishing between payments of principal, payments of interest, (and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be prima facie evidence that such payment has been made.

Payments in respect of the global Note will be paid in sterling to holders of interests in such Notes (such holders being the "**Euroclear/Clearstream Holders**").

A Euroclear/Clearstream Holder may receive payments in respect of its interest in the Global Note in US dollars in accordance with Euroclear's and Clearstream, Luxembourg's customary procedures. All costs of conversion from any such election will be borne by such Euroclear/Clearstream Holder.

(b) Definitive Notes

Payments of principal and/or interest or (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal and/or interest, as the case may be, will be made against surrender of such Note) in respect of Definitive Notes will be made by sterling denominated cheque drawn on a branch of a bank in London posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register on the Record Date (as defined below) not later than the due date for such payment. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, so paid. For the purposes of this Condition 7(b), the holder of a Definitive Note will be deemed to be the person shown as the holder (or, in the case of a joint holding, the first named thereof) on the Register at the opening of business on the Record Date.

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the 5th Business Day before the Record Date for payment in respect of such Definitive Note, such payment will be made by transfer to a sterling denominated account maintained by the payee with a branch of a designated bank in London. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) Laws and Regulations

All payments under the Notes will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives but without prejudice to the provisions of Condition 9 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (in each case without prejudice to the provisions of Condition 9 (Taxation)).

(d) Overdue Principal Payments

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note or part thereof in accordance with Condition 5(a) (Period of Accrual) will be paid against presentation of such Note at the specified

office of any Paying Agent, and in the case of any Definitive Note, will be paid in accordance with Condition 7(b) (*Definitive Notes*).

(e) Change of Agents

The Principal Paying Agent is Elavon Financial Services Limited, UK Branch at its offices at Floor 5, 125 Old Broad Street, EC2N 1AR, London, United Kingdom. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 16 (Notice to Noteholders). The Issuer will, if possible, maintain a Paying Agent in member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

(f) Presentation on Non-Business Days

If any Note is presented (if required) for payment on a day which is not a business day in the place where it is so presented, payment shall be made on the next succeeding day that is a business day (unless such business day falls in the next succeeding calendar month in which event the immediately preceding business day) and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note. No further payments of additional amounts by way of interest, principal or otherwise shall be payable in respect of the late arrival of any cheque posted to a Noteholder in accordance with the provisions of Condition 7(b) (*Definitive Notes*). For the purposes of Condition 6 (*Redemption and Cancellation*) and this Condition 7, "**business day**" shall mean, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

(g) Accrual of Interest on Late Payments

If any payment of interest, principal or any other amount in respect of a Note is not made on the date when due and payable (other than because the due date is not a business day (as defined in Condition 7(f) (*Presentation on Non-Business Days*)) or by reason of non-compliance with Condition 7(a) (*Global Notes*) or Condition 7(b) (*Definitive Notes*)), then such unpaid amount shall itself bear interest at the Rate of Interest to (but excluding) the date on which the full amount of the relevant unpaid amount (together with interest accrued thereon) is available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*), provided that such unpaid amount and interest thereon are, in fact, paid.

(h) Incorrect Payments

The Cash Manager will (on behalf of the Issuer), from time to time, notify Noteholders in accordance with Condition 16 (*Notice to Noteholders*) of any over-payment or under-payment in respect of any Note of which it has actual notice made on any Note Payment Date to any party entitled to the

same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of any such notice, the Cash Manager shall rectify such over-payment or under-payment by increasing or, as the case may be, decreasing payments to the relevant party on any subsequent Note Payment Date. Any notice of over-payment or under-payment pursuant to this Condition 7(h) shall contain reasonable details of the amount of the same, the relevant parties and the adjustments required to be made to future payments to rectify the same. Neither the Issuer nor the Cash Manager shall have any liability to any person for making any such correction.

8 **TAXATION**

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any relevant Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.**

9 **PRESCRIPTION**

Claims for principal in respect of the Global Note shall become void unless the Global Note is presented for payment within ten years of the appropriate relevant date. Claims for interest in respect of the Global Note shall become void unless the Global Note is presented for payment within five years of the appropriate relevant date.

Claims for principal and/or interest shall become void unless made within ten years, in the case of principal, and five years, in the case of interest.

In this Condition 9, the "**relevant date**" means the date on which a payment first becomes due, but if the full amount of the moneys payable has not been received by the relevant Paying Agent or the Note Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

10 **NOTE EVENTS OF DEFAULT**

(a) Events

If any of the events mentioned in Condition 10(a)(A) to (F) inclusive shall occur (each such event being a "**Note Event of Default**"), the Note Trustee at its absolute discretion may, and if:

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

- (iii) it is indemnified, secured and/or prefunded to its satisfaction against all liabilities to which it may become liable or which it may incur,

shall give notice (a "**Note Acceleration Notice**") to the Issuer and the Issuer Security Trustee declaring all the Notes to be due and repayable and the Issuer Security enforceable:

- (A) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of interest or any other amount (other than principal) on the Notes, when and as the same becomes due and payable in accordance with these Conditions; or
- (B) any representation or warranty made by the Issuer in the Notes the Note Trust Deed, the Deed of Charge and Assignment or the other Transaction Documents to which it is a party, is or proves to have been breached, is incorrect or misleading, in any material respect when made or deemed to be repeated and, in any such case (except where the Note Trustee certifies that, in its opinion, such circumstances are incapable of remedy when no notice will be required), the circumstances giving rise to the misrepresentation continue for a period of 14 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (C) default is made by the Issuer in the performance or observance of any other obligation binding upon it under the Notes, the Note Trust Deed, the Deed of Charge and Assignment or the other Transaction Documents to which it is party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (D) any order is made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer (including, without limitation, the opening of any bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*insolvabilité, liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors or reorganisation proceedings or similar proceedings affecting the rights of creditors generally) or the appointment of a receiver of the Issuer (including, without limitation, the appointment of any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert vérificateur*), deputy judge (*juge délégué*) or reporting judge (*juge commissaire*)) save for the

purposes of an amalgamation or reconstruction as is referred to in Condition 10(a)(E) or, the Issuer is or is deemed unable to pay its debts as and when they fall due; or

- (E) an order is made or an effective resolution is passed for the winding-up of the Issuer except a dissolution or winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Noteholders; or
- (F) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice to appoint an administrator) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator or other similar official shall be appointed (or formal notice is given of an intention of appoint an administrator) in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrance shall take possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, diligence or execution or other process shall be levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such appointment, possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer (or the shareholders of the Issuer) initiates or consents to judicial proceedings relating to itself under applicable liquidation, bankruptcy, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of or a composition or similar arrangement with its creditors generally or takes steps with a view to obtaining a moratorium in respect of any of the indebtedness of the Issuer,

provided that in the case of each of the events described in Condition 10(a)(B) or 10(a)(C) above, the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders and notice of such certification shall have been given to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

(b) Effect of Declaration by Note Trustee

Upon the giving of a Note Acceleration Notice in accordance with Condition 10(a) (Events), all of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with

accrued interest as provided in the Note Trust Deed and the Issuer Security shall become enforceable.

11 **ENFORCEMENT**

- (a) The Note Trustee may, at its discretion and without notice at any time:
  - (i) take such proceedings and/or other action or steps as it may think fit under or in connection with the Notes, the Note Trust Deed, these Conditions or any of the other Transaction Documents (including, without limitation, instructing the Issuer Security Trustee to take any proceedings and/or other action or steps under or in connection with the Transaction Documents); and
  - (ii) at any time after the Issuer Security has become enforceable, direct the Issuer Security Trustee to take such proceedings and/or other action or steps as it may think fit to enforce the Issuer Security,

but neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such proceedings, actions or steps unless:

- (A) it is directed to do so by an Extraordinary Resolution of the Noteholders (and the Note Trustee and the Issuer Security Trustee shall not have regard to or take instructions or directions from any other Issuer Secured Creditor); and
  - (B) in relation to the Issuer Security Trustee, it has been so directed by the Note Trustee; and
  - (C) it is indemnified, secured and/or prefunded to its satisfaction against such proceedings (and all liabilities which it may incur in relation thereto) and liabilities.
- (b) Amounts available for distribution after enforcement of the Issuer Security shall be distributed in accordance with the terms of the Deed of Charge and Assignment.
- (c) In acting in accordance with the instructions or directions provided to in accordance with Condition 11(a)(A), neither the Note Trustee nor the Issuer Security Trustee will be liable to the Noteholders, any other Issuer Secured Creditor or any other person in any way for, the consequences of acting in accordance with such instructions or directions.
- (d) Except as otherwise provided for in the Transaction Documents, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to seek to enforce the Issuer Security unless the Note Trustee or, as applicable, the Issuer Security Trustee, having become bound to do so, fails to do so within a reasonable period of becoming so bound and such failure shall be continuing provided that no Noteholder shall be entitled to take proceedings for the winding up or administration (or their equivalents) of the Issuer unless there are no outstanding Notes or there is consent of Noteholders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Notes. Notwithstanding the foregoing and notwithstanding any other provision of the Note Trust Deed, the right of any Noteholder to receive payment of

principal and/or interest on or after the due date for such principal and/or interest or to institute suit for the enforcement of payment of that principal and/or interest may not be impaired or affected without the consent of that Noteholder.

- (e) The Issuer Security Trustee shall not, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any Issuer Secured Creditor, other than the Note Trustee.

## 12 **LIMITED RECOURSE AND NON PETITION**

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer will not be available for payment of any shortfall arising therefrom, and any such shortfall will be borne among the Issuer Secured Creditors and among the Noteholders as provided in the Deed of Charge and Assignment. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security will be extinguished and the Note Trustee, the Noteholders and the other Issuer Secured Creditors will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that:

- (a) in the event of realisation or enforcement of the Issuer Security its right to obtain payment of interest on, repayment of principal of and any other amounts in respect of the Notes in full is limited to recourse against the undertaking, property and assets of the Issuer comprised in the Issuer Security; and
- (b) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the payment priorities of the Deed of Charge and Assignment and all claims in respect of any shortfall will be extinguished.

None of the Note Trustee, the Issuer Security Trustee, the Noteholders or the other Issuer Secured Creditors shall be entitled to petition or take any corporate action or other steps or legal proceedings for the winding-up, dissolution, court protection, reorganisation, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of an administrator, liquidator, examiner, sequestrator or similar officer in respect of the Issuer or any of its revenues or assets for so long as the Notes are outstanding or for two years and a day after all sums outstanding and owing in respect of the Notes have been paid in full, provided that the Issuer Security Trustee may prove or lodge a claim in liquidation of the Issuer initiated by another party and provided further that the Issuer Security Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Deed of Charge and Assignment or the any other Transaction Document.

## 13 **MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER AND SUBSTITUTION**

- (a) The Note Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution or Ordinary Resolution of, *inter alia*, the removal of the Note Trustee, a modification of the Notes or the



Note Trust Deed (including these Conditions) or the provisions of any of the other Transaction Documents.

An “**Extraordinary Resolution**” is (i) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Note Trust Deed by a majority consisting of not less than 75% of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75% of the votes cast on such poll or (ii) a Written Extraordinary Resolution.

An “**Ordinary Resolution**” is (i) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Note Trust Deed by a majority consisting of more than one half of the persons voting thereat upon a show of hands or if a poll is demanded, by a majority consisting of more than one half of the votes cast on such poll; or (ii) a Written Ordinary Resolution.

A “**Written Extraordinary Resolution**” is a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the Principal Amount Outstanding of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders (whether originally convened or resumed following an adjournment) in accordance with the provisions of the Note Trust Deed, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

A “**Written Ordinary Resolution**” is a resolution in writing signed by or on behalf of Noteholders holding more than one half of the Principal Amount Outstanding of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders (whether originally convened or resumed following an adjournment) in accordance with the provisions of the Note Trust Deed, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) Subject as provided below, the quorum at any meeting of the Noteholders for passing an Extraordinary Resolution or an Ordinary Resolution shall be one or more persons holding Notes or voting certificates or being proxies representing not less than 50% of the Principal Amount Outstanding of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the Principal Amount Outstanding of outstanding Notes so held or represented.

The quorum at any meeting of the Noteholders for passing an Extraordinary Resolution which would have the effect of:

- (i) modifying the date of maturity of the Notes (or any of them);
- (ii) postponing any day for the payment of interest on the Notes (or any of them);
- (iii) reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes;
- (iv) modifying the method of calculating the amount payable or the date of payment in respect of any interest or principal in respect of the Notes;

- (v) postponing the Loan Final Maturity Date (other than in the context of the satisfaction of the Extension Conditions in accordance with the terms of the Borrower Facility Agreement);
- (vi) modifying the definition of Basic Terms Modification;
- (vii) modifying the provisions concerning: (A) the quorum required at any meeting of Noteholders or the minimum percentage required to pass an Extraordinary Resolution or an Ordinary Resolution; or (B) any other requirement in the Transaction Document regarding the minimum percentage of holders required to give any request, direction or consent;
- (viii) altering the currency of payment of the Notes referable thereto;
- (ix) altering the definition of Step-up Margin;
- (x) altering the definition of Prepayment Premium; or
- (xi) adjusting the Principal Amount Outstanding of the Notes other than in connection with a further issue of Notes pursuant to Condition 18 (*Further Issues*),

(each a "**Basic Terms Modification**" as set out in the Note Trust Deed)

shall be one or more persons holding Notes or voting certificates in respect thereof or proxies representing not less than 75 per cent. of the Principal Amount Outstanding of the Notes for the time being outstanding, or at any adjourned such meeting, not less than  $33\frac{1}{3}$  per cent. of the Principal Amount Outstanding of the Notes for the time being outstanding. Written notice of such modifications shall be provided to the Luxembourg Stock Exchange.

An Extraordinary Resolution or an Ordinary Resolution passed at any meeting of Noteholders shall be binding on all Noteholders whether or not they are present at such meeting.

- (c) For the purposes of determining:
  - (i) the quorum at any meeting of Noteholders considering an Extraordinary Resolution or an Ordinary Resolution of the Noteholders or the majority of votes cast at such meeting;
  - (ii) the holders of Notes for the purposes of giving any direction to the Note Trustee (or any other party);
  - (iii) the majorities required for any Written Extraordinary Resolution or any Written Ordinary Resolution,

the voting, objecting or directing rights attaching to any Note held by (or in relation to which the exercise of the right to vote is directed or otherwise controlled by), (i) the Issuer or any affiliate of the Issuer; or (ii) GL Europe RE1 Bondco Holdings S.à r.l. or any Obligor or their respective affiliates (each such person falling within (i) or (ii) above, a "**Disenfranchised Holder**") shall not be exercisable by such Disenfranchised Holder, and such Notes shall be treated as if they were not outstanding and shall not be counted in or towards any required quorum or majority.

- (d) The Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer may propose an Extraordinary Resolution or an Ordinary Resolution of the Noteholders relating to any matter for consideration and approval by Negative Consent by the Noteholders, other than: (i) an Extraordinary Resolution relating to a Basic Terms Modification, the waiver of any Note Event of Default, the acceleration of the Notes or the enforcement of the Issuer Security; or (ii) an Ordinary Resolution to approve a Note Maturity Report.

**“Negative Consent”** means, in relation to an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification, the waiver of any Note Event of Default, the acceleration of the Notes, or the enforcement of the Issuer Security instructions to terminate the appointment of the Servicer and/or Special Servicer, a direction to waive a Servicer Event of Default) or an Ordinary Resolution (other than to approve a Note Maturity Report or in the case of instructions to terminate the appointment of the Servicer and/or Special Servicer or a direction to waive a Servicer Event of Default), the process whereby such Extraordinary Resolution or an Ordinary Resolution shall be deemed to be duly passed and shall be binding on all of the Noteholders in accordance with its terms where:

- (i) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given by the Issuer, the Note Trustee, the Cash Manager, the Servicer or the Special Servicer to the Noteholders in accordance with the provisions of Condition 16 (*Notice to Noteholders*);
- (ii) such notice contains a statement: (A) requiring such Noteholders to inform the Note Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of Notes outstanding constituting 25 per cent. or more in aggregate Principal Amount Outstanding of the Notes make such objection within 30 days of the date of the relevant notice, the Extraordinary Resolution or Ordinary Resolution will be deemed to be passed by the Noteholders; and (B) specifying the requirements for the making of such objections (including addresses, email addresses and deadlines) as further set out in the following paragraph; and
- (iii) holders of, in the case of an Extraordinary Resolution or Ordinary Resolution, Notes outstanding constituting 25 per cent. or more in aggregate Principal Amount Outstanding of the Notes (as the case may be), have not informed the Note Trustee in writing of their objection to such Extraordinary Resolution within 30 days of the date of the relevant notice.

Any notice containing the text of an Extraordinary Resolution or an Ordinary Resolution shall (A) in all cases also be delivered through the systems of Bloomberg L.P. (or such other medium as may be approved in writing by the Note Trustee) by the Issuer, the Note Trustee, the Cash Manager, the Servicer or the Special Servicer, and (B) for so long as any Notes are listed on the Luxembourg Stock Exchange, be made available to any Regulatory Information Service maintained by the Luxembourg Stock Exchange.

- (e) The Note Trustee may agree or direct the Issuer Security Trustee to agree, without the consent or sanction of the Noteholders:
  - (i) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders; or
  - (ii) to any modification of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents which, in the opinion of the Note Trustee, is:
    - (A) to correct a manifest error;
    - (B) to comply with mandatory provisions of law; or
    - (C) is of a formal, minor or technical nature; or
  - (iii) to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents necessary to facilitate an issue of Additional Notes pursuant to Condition 18 (*Further Issues*).

Any such modification shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).

- (f) The Note Trustee may, without the consent or sanction of the Noteholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its sole opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise, or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions (if any) as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents (which, for the avoidance of doubt, shall include payment by the Cash Manager of money standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Deed of Charge and Assignment) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default in respect of the Notes shall not be treated as such for the purposes of the Note Trust Deed (including these Conditions). Any such waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).
- (g) The Note Trustee shall not exercise any such powers of waiver, authorisation or determination in contravention of any request in writing under Condition 10(a) (Events) by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding or any express written direction given by an Extraordinary Resolution of

the Noteholders (provided that no such direction or restriction shall affect any authorisation, waiver or determination previously made or given).

- (h) Upon receipt of a Note Maturity Report in draft form from the Special Servicer (prepared and delivered by the Special Servicer in accordance with the terms of the Servicing Agreement), the Note Trustee shall, at the cost of the Issuer, convene a meeting of the Noteholders at which the Noteholders will have the opportunity to discuss the various proposals contained in the draft Note Maturity Report with the Special Servicer.

Following such meeting and following receipt of the final Note Maturity Report from the Special Servicer (prepared and delivered by the Special Servicer in accordance with the terms of the Servicing Agreement), the Note Trustee shall, at the cost of the Issuer, convene a further meeting of the Noteholders at which such Noteholders will be requested to approve, by way of Ordinary Resolution, the proposed strategy of the Special Servicer as set forth in such final Note Maturity Report (subject to any adjustments to such strategy approved by the Noteholders at such meeting) and authorise the Special Servicer to implement such strategy.

- (i) Where the Note Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders it shall have regard to the interests of such Noteholders and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Note Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.
- (j) The Note Trustee shall be entitled to determine, in its own opinion, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders and in making such a determination shall be entitled to take into account such things it may in its absolute discretion consider necessary and/or appropriate.
- (k) The Issuer and the Note Trustee may also amend the Note Trust Deed, without the consent of the Noteholders, at any time and from time to time, subject to certain requirements described in the Note Trust Deed, to take any action necessary or advisable to allow the Issuer to comply with FATCA or any rules or regulations promulgated thereunder (or any Luxembourg law implementing an IGA); and to issue a new Note or Notes in each case with new identifiers (including CUSIPs, ISINs and Common Codes, as applicable), to the extent that the Issuer determines such action would be beneficial to segregate Noteholders who have provided the FATCA information requested by Issuer and from those Noteholders who have not provided the FATCA information requested by the Issuer.

**INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE**

The Note Trust Deed, the Deed of Charge and Assignment, the Servicing Agreement and certain of the other Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of each of the Note Trustee and the Issuer Security Trustee and for their indemnification in certain circumstances. Neither the Note Trustee nor the Issuer Security Trustee will be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its acting upon requests or directions of the Noteholders made in accordance with the Note Trust Deed (including these Conditions) or for any loss, expense, theft, reduction in value or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons whether or not on behalf of the Note Trustee or the Issuer Security Trustee.

The Note Trust Deed and the Deed of Charge and Assignment contain provisions pursuant to which each of the Note Trustee and the Issuer Security Trustee or any of its related companies is entitled, inter alia:

- (a) to enter into business transactions with the Issuer and or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies;
- (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 the Noteholders or any other Issuer Secured Creditor; 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.

The Deed of Charge and Assignment provides that the Issuer Security Trustee shall accept without investigation, requisition or objection such right and title as the Issuer may have to the Issuer's property secured pursuant to the Deed of Charge and Assignment and shall not be bound or concerned to examine such right and title, and the Issuer Security Trustee shall not be liable for any defect or failure in the right or title of the Issuer to the property secured pursuant to the Deed of Charge and Assignment whether such defect or failure was known to the Issuer Security Trustee or might have been discovered upon examination or enquiry and whether capable of remedy or not. Neither the Note Trustee nor the Issuer Security Trustee has any responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security. Neither the Note Trustee nor the Issuer Security Trustee will be obliged to supervise the performance by the Servicer, the Special Servicer, the Cash Manager or any other person of their obligations under the Transaction Documents and each of the Note Trustee and the Issuer Security Trustee shall assume, until it has actual knowledge or express notice to the contrary, that all such persons are properly performing their duties,

notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

15      **REPLACEMENT OF GLOBAL NOTES AND DEFINITIVE NOTES**

If the Global Note or any Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Registrar, the Paying Agent or the Note Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before replacements will be issued.

16      **NOTICE TO NOTEHOLDERS**

(a)      All notices to Noteholders, other than notices given in accordance with Conditions 16(c), shall be deemed to have been validly given if:

(i)      published in a leading daily newspaper printed in the English language and with general circulation in Luxembourg (which is expected to be *Luxemburger Wort* or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Luxembourg and the rest of Europe Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required; or

(ii)      for so long as the Notes are represented by a Global Note and are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so allow, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders. Any such notice shall be deemed to have been given on the date of delivery of such notice to Euroclear and/or Clearstream Luxembourg; or

(iii)      for so long as the Notes are represented by Global Notes and are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so allow, if delivered to the relevant electronic communications system maintained by Bloomberg L.P. or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee and notified to the Noteholders in such manner as the Note Trustee shall require. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen.

(b)      A copy of each notice given in accordance with this Condition 16 shall be provided to (for so long as the Notes are listed on the Luxembourg Stock Exchange) the Company Announcements Office of the Luxembourg Stock Exchange, to Standard & Poor's Credit Market Services Europe Limited ("**S&P**" or the "**Rating Agency**") to which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes.

- (c) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.
- (d) Following receipt of a request for the publication of a notice from a Noteholder (the "**Initiating Noteholder**") which has satisfied the Cash Manager that it is a Noteholder (a "**Verified Noteholder**"), the Cash Manager shall publish such notice on its investor reporting website provided that such notice contains no more than: (i) an invitation to other Verified Noteholders to contact the Initiating Noteholder; (ii) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and (iii) the date(s) from, on or between which the Initiating Noteholder may be so contacted.

## 17 **PRIVITY OF CONTRACT**

The Notes do not confer any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## 18 **FURTHER ISSUES**

The Issuer shall be at liberty without the consent of the Noteholders, but subject always to the provisions of this Condition and the Note Trust Deed, to raise further funds, from time to time on any date by the creation and issue of (i) further Notes, which have the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Notes (the "**Further Notes**") or (ii) new notes which have the same terms and conditions in all respects (except the first Interest Period and the applicable Margin as, and so that the same shall rank *pari passu* with, but form a separate series from, the Notes (the "**New Notes**", and together with the Further Notes, the "**Additional Notes**"), in each case in registered form, provided that:

- (i) the aggregate principal amount of all Additional Notes to be issued on such date is not less than £5,000,000;
- (ii) any Additional Notes are assigned the same ratings as are then applicable to the Notes then outstanding by S&P;
- (iii) S&P confirms that the then current ratings of the Notes then outstanding will not be downgraded as a result of such issue of Additional Notes; and
- (iv) the proceeds of any such Additional Notes are on-lent by the Issuer in accordance with the Finance Documents to a new obligor thereunder (such financial indebtedness being "**New Financial Indebtedness**") in order to finance the acquisition or refinancing of a new property or properties (the "**New Property**" or "**New Properties**") and such Additional Notes are secured on the Issuer's rights and interests with respect to such New Property, and where each of the following conditions is satisfied:



- (A) occupancy of each New Property must be at least 90% for the prior academic year or there must be evidence of bookings of 90% occupancy for the forthcoming academic year;
- (B) at least 85% of the rooms in the New Property must be en-suite;
- (C) no more than 50% of the rooms within the Aggregate New Portfolio can be concentrated in one city or town;
- (D) the New Property must be in a city or town with at least 15,000 higher education students provided that no more than 20% of the Aggregate New Portfolio by value can be in a city or town without a UK top 50 ranked higher education institution and no more than 5% of the Aggregate New Portfolio by value can be in a city or town without a UK top 75 ranked higher education institution (as ranked by the Sunday Times Good University Guide, or if that is no longer published then the Complete University Guide and if that is no longer published then a ranking guide to be agreed with the Borrower Facility Agent);
- (E) if the New Property is in a city or town in which no Property is currently situated, then at the time of the acquisition/refinancing of the New Property that new city or town must have a minimum of 300 student accommodation beds;
- (F) the Loan to Value in relation to the New Property, must not, in each case, exceed 60% (for the avoidance of doubt, no further indebtedness is permitted in respect of any existing Property);
- (G) either: (A) the Interest Cover calculated as if the New Financial Indebtedness had been incurred and the New Property was part of the Properties must not drop below 2.5x; or (B) if at the time of incurring the New Financial Indebtedness, the Interest Cover is in the range of 2.0-2.5, the New Property must be accretive to Interest Cover;
- (H) the Obligors have put in place appropriate hedging in the form of a cap (to hedge the Obligors' payment obligations in respect of the New Financial Indebtedness) the terms of which include a notional amount equal to the principal amount of the New Financial Indebtedness and a LIBOR cap rate of no greater than 3.75%;
- (I) confirmation must be received that the prevailing rating of the Notes will not be adversely affected by the incurring of the New Financial Indebtedness;
- (J) the acquisition of the New Property must be made in the ordinary course of business of the purchaser on an arm's length basis;

- (K) no event of default has occurred and is continuing or would result from the incurring of the New Financial Indebtedness under the terms of the Borrower Facility Agreement;
- (L) the primary use of New Property is student accommodation;
- (M) the New Property is held on a freehold or long leasehold (on standard market terms, namely including an unexpired term of more than 75 years with a peppercorn/nominal rent) basis; and
- (N) the New Financial Indebtedness shall be in a principal amount of not less than £5,000,000; and
- (O) hedging arrangements are put in place by the Issuer for the period from the date of the issue of Additional Notes to the Final Maturity Date of the Additional Notes for the notional amount of the Additional Notes with a cap rate which is not more than 3.75 per cent. per annum.

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**GOVERNING LAW**

The Note Trust Deed, the Deed of Charge and Assignment, the Agency Agreement, the other Transaction Documents and the Notes (and any non-contractual obligations arising out of or in connection with any of them) are governed by English law.

## USE OF PROCEEDS

The total gross proceeds of the issue of the Notes will be £107,262,000.

On the Closing Date, the Issuer will on-lend the gross proceeds from the issue of the Notes to make an advance to the Borrowers of the Loan under the Borrower Facility Agreement.

Upon receipt of the advance of the Loan under the Borrower Facility Agreement, on the Closing Date the Borrowers will pay to the Issuer an amount equal to the Issuer Closing Expenses and will deposit with the Issuer the Interest Reserve Amount which will be held on trust by the Issuer for the Borrowers in accordance with the terms of the Borrower Facility Agreement.

The Borrowers will use, *inter alia*, the proceeds of the Loan (i) for the purpose of repaying certain existing indebtedness associated with the acquisition costs of the Properties, (ii) for the purpose of paying related transaction costs and (iii) for general corporate purposes.

Fees and expenses relating to the application for admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange (including maintenance fees) are expected to be €7,600.

## LUXEMBOURG TAXATION

*The following is a summary of the Issuer's understanding of current Luxembourg tax law relating only to withholding tax treatment of interest paid on the Notes and certain reporting requirements in relation to that interest. It does not address any other Luxembourg tax aspects of acquiring, holding or disposing of the Notes. It is included herein solely for preliminary information purposes and is not intended to be, nor should it construed to be, legal or tax advice. Prospective purchasers of the Notes should consult their own advisors as to the applicable tax consequences in relation to the Notes in Luxembourg or in any other jurisdiction in which they may be subject to tax, based on their particular circumstances.*

*The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of this Prospectus and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.*

*Please be aware that the residence concept used under the respective sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax laws and/or concepts only.*

### **Withholding Tax**

#### ***Non-Resident Noteholders***

Under the Luxembourg general tax laws currently in force and subject to the application of the Luxembourg laws of 21 June 2005 (the "**EUSD Laws**") implementing the EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income (the "**Savings Directive**") and several agreements concluded between Luxembourg and certain dependent territories of the European Union (the "**Territories**"), there is no withholding tax on payments of principal, premium or interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the EUSD Laws, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity (within the meaning of the Laws), which is resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent Luxembourg fiscal authority in order for such information to be communicated to the competent tax authorities of the beneficiary's country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the EUSD Laws will be subject to withholding tax at a rate of 35%.

On 18 March 2014, the Luxembourg government has submitted to the Luxembourg Parliament the bill of law N°6668 replacing the withholding tax system as from 1 January 2015 by the automatic exchange of information system foreseen by the EC Council Directive. This bill is in line with an announcement of the Luxembourg government on 10 April 2013.

#### **Resident Noteholders**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident in Luxembourg or to a residual entity (within the meaning of the Laws) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10%.

### **Stamp duty or similar tax**

There is no Luxembourg registration tax, stamp duty or similar tax or duty payable in Luxembourg in respect of or in connection with the issue of the Notes or the transfer of the Notes. If any documents in respect of the Notes are required to be registered in Luxembourg, they will be subject to a fixed registration duty.

## **EUROPEAN UNION SAVINGS TAX DIRECTIVE**

Under the Savings Directive, EU member states are required to provide to the tax authorities of another EU member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other EU member state or to certain limited types of entities established in that other EU member state. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The rate of withholding tax is 35%. The Savings Directive also provides that no such withholding tax should be levied where the beneficial owner of the payment authorizes an exchange of information and/or where the beneficial owner presents a certificate, as described in the Savings Directive, from the tax authority of the EU member state in which the beneficial owner is resident. The Savings Directive has been implemented in Luxembourg by the amended EUSD Laws. The responsibility for the withholding tax is assumed by the Luxembourg paying agent.

On 18 March 2014, the Luxembourg government has submitted to the Luxembourg Parliament the draft law N°6668 putting an end to the withholding tax system as from 1 January 2015 and implementing the provision of details on payments of interest (or similar income) under the Savings Directive for any payment made as from 1 January 2015. This draft law is in line with the announcement of the Luxembourg officials on 10 April 2013.

On 20 March 2014, the European Council agreed to adopt the amended Savings Directive which will, inter alia, amend and broaden the scope of the Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a EU Member State) for the ultimate benefit of an European Union resident individual, and (ii) a wider range of income similar to interest. On the same European Council meeting, Austria and Luxembourg confirmed that they will endorse the amendment to the Savings Directive and will provide the required information on interest payments to the tax authorities of other EU Member States under the automatic information exchange as of 1 January 2015 and will abolish the withholding tax system. On 24 March 2014, the Council of the European Union formally adopted the proposed amendment to the Savings Directive.

Noteholders should inform themselves on the consequences on their investment of the changes to the EU Savings Directive.

## **SUBSCRIPTION AND SALE**

The Arranger has agreed with the Issuer pursuant to a subscription agreement in relation to the Notes dated on or around 26<sup>th</sup> August 2014 (the "**Subscription Agreement**"), subject to certain conditions, to procure subscribers for the Notes at an issue price of 100 of the initial principal amount thereof.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Note Purchasers in certain circumstances prior to payment to the Issuer.

The Issuer has agreed to indemnify the Arranger in connection with the issue of the Notes.

### **United Kingdom**

The Arranger has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **United States**

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (US Persons), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act 1940.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations.

The Notes will be offered, sold and delivered only outside the United States, to persons who are not U.S. persons, in offshore transactions in reliance on Regulation S.

The Arranger has agreed that it has offered and sold, and it will offer and sell, Notes (a) as part of its distribution at any time and (b) otherwise until 40 days after the completion of the distribution of the Notes which are a part, as determined and certified to the Principal Paying Agent by the Arranger, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Arranger and its affiliates will also agree that, at or prior to confirmation of sale of the Notes to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales.

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

Due to the restrictions set forth above, purchasers of the Notes are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Notes.

Terms used above have the meanings given to them by Regulation S under the Securities Act.

## **General**

Except for the approval of this document as a prospectus by the CSSF, no action has been or is being taken by the Issuer or the Arranger in any jurisdiction which would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of this document or any other material relating to the Issuer in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the Notes may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

The Arranger has undertaken to the Issuer that it will not, to the best of its knowledge, directly or indirectly, offer or sell any Notes, or distribute this document or any other material relating to the Notes, in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulation.



## **REPORTS TO NOTEHOLDERS**

The Servicer will be required to aim to publish within five Business Days of the Note Payment Date in respect of the immediately preceding Loan Interest Period (and will be required to publish within ten Business Days of such Note Payment Date), on Bloomberg a Servicer Quarterly Report (as to which, see "*The Servicing Arrangements – The Servicing Agreement – Reporting*" on page 207) in relation to that preceding Loan Interest Period and payments made or to be made by the Issuer on the corresponding Note Payment Date.

Each Servicer Quarterly Report will be available on request from the Servicer (including by email). Servicer Quarterly Reports will not be sent to beneficial owners of the Notes by the Servicer.

Except as is outlined in this Prospectus, the Issuer does not intend to provide any post-issuance information in relation to the Notes.

## **GENERAL INFORMATION**

### **Authorisation**

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 19<sup>th</sup> August 2014.

### **Listing**

It is expected that admission of the Notes to the Official List of the Luxembourg Stock Exchange and to trading on its regulated market will be granted on or about the Closing Date, subject only to the issue of the Global Note. The listing of the Notes will be cancelled if the Global Note is not issued. Transactions will normally be effected for settlement in euro and for delivery on the third working day after the day of the transaction.

### **Clearing and Settlement**

The Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows. The International Securities Identification Numbers and Common Codes for the Notes are set out in the section entitled "*Overview of the Terms and Conditions of the Notes*" on page 61.

### **ICSDs**

Euroclear Bank S.A./N.V.  
1 Boulevard du Roi Albert II  
B-1210 Brussels  
Belgium

Clearstream Banking, société anonyme,  
42 Avenue JF Kennedy  
L-1885 Luxembourg

### **Litigation**

Neither the Issuer nor any of the Borrowers is, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or, as applicable, any of the Borrowers is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's or, as applicable, any of the Borrowers' financial position.

### **Accounts**

Since the date of incorporation of the Issuer (29 July 2014), no statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. Since the date of its incorporation, the Issuer has not entered into any contracts not in the normal course of its business.

### **Significant or material change**

Since the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects and no significant change in the financial or trading position of the Issuer.

### **Display documents**

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, copies of the following documents will be available electronically upon request from the Servicer or may be inspected in physical form during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the specified offices of the Paying Agents and at the registered office of the Issuer:

- (a) the Articles of Incorporation (*statuts*) of the Issuer;
- (b) the Articles of Incorporation (*statuts*) of each of the Borrowers;
- (c) the Memorandum and Articles of Association of each of the Management Companies;
- (d) copies of the following documents:
  - (i) the Note Trust Deed;
  - (ii) the Deed of Charge and Assignment;
  - (iii) the Agency Agreement;
  - (iv) the Servicing Agreement;
  - (v) the Cash Management Agreement;
  - (vi) the Corporate Services Agreement; and
  - (vii) the Master Definitions Schedule;
  - (viii) the Borrower Facility Agreement;
  - (ix) the Security Deed;
  - (x) the Share Pledge Agreement;
  - (xi) the Account Pledge Agreement;
  - (xii) the Duty of Care Letters;
  - (xiii) the Subordination Deed; and
  - (xiv) the Tax Deed of Covenant;
- (e) the Initial Valuation.

**APPENDIX 1**  
SHORT-FORM VALUATION REPORT



Chalkhill Partners LLP  
1 Knightsbridge Green  
London  
SW1X 7QA

The Directors of the Issuer  
9B, Boulevard Prince Henri  
L-1724 Luxembourg  
Grand-Duchy of Luxembourg

The Security Trustee of the Issuer  
U.S. Bank Trustees Limited  
5th Floor  
125 Old Broad Street  
London EC2N 1AR

14 July 2014

Dear Sirs,

**Valuation of a Student Accommodation Property Portfolio relating to the issue of [£xmx] floating rate notes due 2019 (the "Notes") by the Issuer (the "Transaction")**

**1. Instruction**

**Instructions** 1.1 In accordance with the instructions of the arranger Chalkhill Partners LLP dated 30 May 2014 and our subsequent Terms of Engagement letter and General Terms of Business for Valuations of 13 June 2014, we are instructed to report our opinion of the Market Value of the freehold and leasehold interests in the properties listed in the Schedule (the "Properties"), for reference listed below, being properties held by the Borrowers;

GL Europe Nottingham 12 S.a.r.l.  
GL Europe Trinity Square S.a.r.l.  
GL Europe Sheffield 1 S.a.r.l.  
GL Europe Summit S.a.r.l.

**The Properties** 1.2

- Nottingham 1, 2 & 3, Midland Way, Nottingham NG7 3EH
- Nottingham Trinity Square, Nottingham NG1 4AF
- Sheffield 3, Hoyle Street, Sheffield S3 7LG
- The Summit, Eastern Boulevard, Leicester, LE2 7DX

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<b>Purpose of valuation</b>	1.3	It is understood that our Valuation Report and Schedule (the "Valuation Report") is required for inclusion in an approved prospectus (the "Approved Prospectus") which is to be published in connection with the issuance by the Issuer, AYR ISSUER S.A. of bonds backed by the Loan Facility which is secured by, amongst other things, the Properties (the "Purpose of this Report").
<b>Loan Facility</b>	1.4	A facility to be granted by the Issuer as lender and secured by, amongst other things, the Properties.
<b>Client</b>	1.5	Our client for this instruction is the Arranger, the Issuer and The Security Trustee of the Issuer ("the Client").
<b>Valuation standards</b>	1.6	This valuation has been undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (January 2014), ("the Red Book").
<b>Conflict of interest</b>	1.7	<p>Knight Frank LLP acted for the vendors of the Megaclose Portfolio which included The Summit, Leicester which was acquired by the Borrower in April 2014. Knight Frank has recently undertaken the valuation of the subject Properties for the Arranger for secured loan purposes prior to the proposed issue. With the exception of this we confirm that we have no current or recent fee earning involvement with the Properties, the Borrowers or the Client or any other party connected with this transaction and that we have no conflicts of interest in providing this report to you.</p>
	1.8	<p>As we are aware that this will be used as a Regulated Purpose Valuation (RPV), we are required to make the following disclosures:</p> <ul style="list-style-type: none"> <li>a) In relation to Knight Frank LLP's preceding financial year, the proportion of the total fees paid by the Client to the total fee income of Knight Frank LLP was substantially less than 5%.</li> <li>b) It is not anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable by the Client.</li> </ul>
	1.9	We are acting as an External Valuer, as defined in the Red Book and an independent expert for the purpose of paragraph 130(i) of ESMA's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No.809/2004 ("the ESMA Recommendations").
<b>Disclosure &amp; publication</b>	1.10	Neither the whole nor any part of this valuation nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear. If our opinion of value is disclosed to persons other than the addressee of this report, the basis of valuation should be stated.

- 1.11 For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for our Valuation Report and we accept responsibility for the information contained in our Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in our Valuation Report is in accordance with the facts and contains no omissions likely to affect its import.

Our Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA Recommendations.

- Expertise** 1.12 The valuer, on behalf of Knight Frank LLP, with the responsibility for this report is Neil Armstrong MRICS, RICS Registered Valuer. We confirm that the valuer meets the requirements of RICS Valuation – Professional Standards VS 1.6, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- Vetting** 1.13 This report has been vetted as part of Knight Frank LLP's quality assurance procedures.

## 2. Valuation bases

- Market Value** 1.14 In accordance with your instructions, the properties have been valued on the basis of Market Value defined in the Standards as:-

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

- Date of valuation** 1.15 The valuation date is 13 June 2014.

## 3. Market Value

- Market Value** 1.16 We are of the opinion that the aggregate of the Market Values of the freehold and leasehold interests in the properties as detailed in this report as at the valuation date is £173,770,000 (One Hundred and Seventy Three Million Seven Hundred and Seventy Thousand Pounds).

Address	Tenure	No. Beds	Estimated Net Income	Market Value	Estimated Net Initial Yield
The Summit	Freehold	369	£1,695,000	£25,380,000	6.50%
Trinity Square	Leasehold	699	£2,346,000	£34,820,000	6.55%
Nottingham 1, 2, 3	Freehold	1,096	£4,100,000	£61,320,000	6.50%
Sheffield	Mixed tenure	992	£3,666,988	£52,250,000	6.81%

**Portfolio valuation** 1.17 In a valuation of a property portfolio, we have valued the individual properties separately and we have assumed that the individual properties have been marketed in an orderly way.

#### 4. Scope of enquiries & investigations

**Investigations** 1.18 The extent of enquiries/investigations made is set out in our General Terms of Business. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

**Information provided** 1.19 In this report we have been provided with information by the Borrowers, its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.

In particular we detail the following:

- Schedule of accommodation including mix of rooms
- Tenancy information in relation to the student property
- Building Survey reports that were prepared by GL Hearn as follows:
  - Nottingham 1, 2, 3 dated 23 July 2013
  - Trinity Square, Nottingham dated 27 September 2013
  - Sheffield 3, dated 18 July 2013
  - The Summit, Leicester dated 12 November 2013
- Environmental reports as follows:
  - Nottingham 1, 2, 3 dated 14 August 2013 by Delta Simons
  - Trinity Square, Nottingham dated 10 September 2013 by Argyll Environmental

- o Sheffield 3, dated 12 August 2013 by Delta Simons
- o The Summit, Leicester dated 6 November 2013 by Delta Simons
- Reports on Title as follows:
  - o Nottingham 1, 2, 3 dated 25 September 2013 relating to Opal 1 & 2, and 19 December 2013 relating to Phase 3 of Opal 1 by Simmons & Simmons LLP.
  - o Trinity Square, Nottingham dated 11 October 2013 by Simmons and Simmons LLP.
  - o Sheffield 3 dated 15 August 2013 by Simmons & Simmons LLP.
  - o The Summit, Leicester dated 13 March 2014 by Simmons and Simmons LLP

1.20 In the absence of any documents or information provided, we have had to rely upon our own enquiries.

**Inspection**

1.21 We were instructed to carry out an internal inspection of the properties. Our inspection of the properties were undertaken as follows:

Nottingham 1, 2 & 3, NG7 3EH	10 June 2014
Nottingham Trinity Square, NG1 4AF	10 June 2014
Sheffield 3, S3 7LG	10 June 2014
The Summit, Leicester, LE2 7DX	9 June 2014

**Valuation  
Procedures and  
Assumptions**

1.22 Our General Terms of Business set out the scope of our inspection and investigations.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoing or restrictions.

We have been provided with a copy of relevant planning permissions and the solicitors Reports on Title confirming that the current use is authorised. We have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

As stated in our General Terms of Business for Valuations, we do not undertake searches or inspections of any kind (including web based searches) for title or price paid information in any publicly available land registers, including the Land Registry for England & Wales, Registers of Scotland and Land & Property Services in Northern Ireland.

As stated above we have been provided with solicitors' Reports on Title prepared by



Simmons & Simmons LLP. We have relied upon these documents and would recommend that our understanding of all legal title issues is referred to your legal advisers for their confirmation that our understanding is correct.

In accordance with the General Terms of Business, no tests have been undertaken on any of the services. We have assumed for the purposes of this valuation that mains, water, electricity, drainage and telecommunications are all available to the subject properties. Where available, some properties are also connected to mains gas supplies.

As stated in the General Terms of Business attached, we have not undertaken a building or site survey of the property. During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair, however we have relied on the GL Hearn reports as detailed below. We have assumed that the properties are in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

At the date of inspection, the buildings appeared to be in a generally reasonable state of repair commensurate with their age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme. We have been provided with the Building Survey reports prepared by GL Hearn at or around the date of acquisition of each property and we have relied upon these as reflecting the current condition of the property.

Our valuations assume the buildings contain no deleterious materials and that the sites are unaffected by adverse soil conditions.

We have not carried out any investigation into past or present uses of either the properties or any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject properties. We have been provided with Environmental Reports prepared by Environmental reports prepared by Delta Simons and Argyll Site Solutions. We have relied upon these and have reflected their conclusions in our valuations.

Our valuations assume that the properties would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

**Suitability for  
Loan**

- 1.23 We have not been provided with accounts or other financial information on the Borrowers, and are unable to comment on their financial strength. We would recommend that you satisfy yourselves that the Borrowers have the necessary capability to meet the intended repayments.
- 1.24 We have not been asked to comment on the adequacy of capital or income cover afforded by the properties as security for the loan facility, and you should satisfy yourselves in this regard. Our assessment is made upon the property themselves and no recommendation is given by Knight Frank LLP in respect of the length of term considered appropriate or sum to be advanced and any decision in this respect



should be subject to the usual lending criteria of the lender.

1.25 Subject to the comments in this report we consider the properties offer suitable security for loan purposes.

Yours faithfully,

**Reviewed (but not undertaken) by**

**Neil Armstrong MRISC  
RICS Registered Valuer  
Partner, Student Property  
For and on behalf of Knight Frank LLP**

**Peter Barnard FRICS  
RICS Registered Valuer  
Partner, Commercial Valuations  
For and on behalf of Knight Frank LLP**

## Schedule of Investment Properties

**Nottingham 1, 2, 3,  
Midland Way,  
Nottingham  
NG7 1EH**

Nottingham 1, 2, 3 (Nottingham One) comprises three phases of purpose built student accommodation, completed in 2011. The property is held Freehold.

The property provides 1,096 student bedrooms in total and is configured as en-suite standard, standard plus and deluxe cluster flats of between three and five beds and individual studio rooms.

The property is located to the west of Nottingham city centre and approximately 10 minutes' walk from the University of Nottingham's Jubilee Campus. The site is bounded to the west by the Robin Hood railway line and the River Leen to the eastern boundary.

The immediate area is mixed and comprises residential, educational, leisure, retail and light industrial uses. In terms of location in relation to other private accommodation schemes, Nottingham 1, 2, 3 is adjacent to Unite's St Peters Court on the northern side of Midland Way and 1.12 km (0.7 miles) north of Unite's Riverside Court and the property is also located within 0.5 km (0.8 miles) of The Cotton Mills., an operational direct let student scheme offering 274 en-suite bedrooms. Raleigh Park operated by Derwent is opposite the subject property.

The University of Nottingham's Jubilee campus is approximately 0.64 km (0.4 miles) south west of the subject scheme.

Nottingham is host to two major Higher Education Institutions, being the University of Nottingham ranked 23rd in the Times Good University Guide 2014, as well as Nottingham Trent University ranked 61st in the Times Good University Guide 2014. There is a total of 53,610 (HESA) full time students studying in Nottingham. A summary of student and bed numbers is shown in the table below:

Nottingham Student Accommodation Summary	Students	% total full time student population
Students living in University Halls of Residence	13,648	25%
Student living in private sector purpose built accommodation	5,840	11%
Students not in University Halls of Residence or private sector purpose built accommodation	34,112	64%
Total Nottingham full-time Higher Education population	53,610	100%

**Nottingham 1, 2, 3  
Nottingham- Market  
Value**

<b>Market Value</b>	<b>£61,320,000</b>
Estimate of Gross Income	£5,908,463
Estimated gross outgoings per annum	£1,808,400
Estimated total net income	£4,100,063
Net Initial Yield	6.50%

**Trinity Square,  
Nottingham  
NG1 4AF**

The property comprises two purpose built student accommodation buildings; Shakespeare House (North Block) and Milton House (South Block) built in 2008. The property is held leasehold under two leases each for 125 years from 24 June 2008 to 23 June 2133 at a peppercorn.

The property provides 699 student spaces in total, 513 bed spaces at Shakespeare House and 186 beds at Milton House. Bed spaces are configured as en suite, en suite plus, studio and studio with joint occupancy. The en suite accommodation consists of 3, 4 and 5 bedroom clusters.

The property is comprised of the upper parts only, above retail and communal parts at ground and first floor.

Trinity Square is located a short distance to the south east of the Nottingham Trent University City Campus. and comprises two buildings known as Shakespeare House (north block) and Milton House (south block). The North Block is situated on the junction with Shakespeare Street and North Church Street. South Block is located to the south at Trinity Square. Nottingham Trent University City Campus is located 0.32 km (0.2 miles) to the north west of the property.

In the immediate vicinity of the property is the University campus to the north west and a mixture of retail, leisure and office as well as some city centre residential accommodation.

In terms of its location in relation to the higher education institutions in the city, it lies 0.32 km (0.2 miles) from the Nottingham Trent University City Campus and 3.5 km (2.2 miles) east of the main University of Nottingham campus which lies on the west of the city centre.

In terms of location in relation to other private accommodation schemes, Trinity Square is located a short distance from Bard House (Fortis), Riverside Point (Unite) and Goldsmith Court (Touchstone) to the north and Cleaves Hall, Halley House (Primo) and 74 James Street (DRE Property) to the south. The property is also located

Trinity Square,  
Nottingham  
NG1 4AF – Market  
Value

Sheffield 3  
Hoyle Street,  
Sheffield  
S3 7LG

1.2 km (0.8 miles) from the Byron Residence which is currently under an agreement with Nottingham Trent University, where the new Student's Union is also located.

<b>Market Value</b>	<b>£34,820,000</b>
Estimate of Gross Income	£3,583,538
Estimated gross outgoings per annum	£1,237,670
Estimated total net income	£2,345,867
Net Initial Yield	6.55%

The property provides 992 bed spaces across three buildings, known as Phase 1 and Phase 2 constructed in 2009, with a part Listed Building element which dates from the 19th Century.

The property is comprised of a number of titles, both freehold and leasehold, as follows:

- Plot 1: This is an absolute leasehold title The land is held under lease dated 2 April 2007 for a term of 125 years. The yearly rent is a peppercorn.
- Plot 2: This is an absolute freehold title.
- Plot 3: This is an absolute leasehold title. The land is held under lease dated 18 June 1839 for a term of 500 years. The yearly rent is approximately £4.25.
- Plot 4: This is a good leasehold title. The land is held under two leases for terms of 700 years from 25 March 1827 and 690 years from 25 March 1828. The rents are £28.45 and £4.50 respectively. The freehold itself is not registered but the Title Report concludes that a good leasehold title of this age is acceptable.
- Plot 5: This is a freehold absolute title.
- Plot 6: This is an absolute leasehold title. The property is held under a lease for a term of 500 years from 29 September 1827. The rent is £9.20 per annum.
- Plot 7: This is a good leasehold title. The property is held under a lease for a term of 700 years from 25 March 1827.

Phase 1 and 2 consist of interlinked blocks around central external courtyards. The Listed Building is a stand-alone structure linked to Phase 1 by a glazed corridor.

The southern end of the property provides some 2,456 sq m (28,920 sq ft) of self-contained educational space with independent access on the corner of the building.

At ground floor level there is a reception leading to a large common room with coffee shop. The upper floors are accessed via a staircase or lift and provide small classrooms. This has a net internal area of 2,456 sqm (28,920 sq ft). This educational space is leased to The University of Sheffield until 1st November 2019 at a passing rent of £265,051 per annum.

The property is located 1.45 km (0.9 miles) to the northwest of Sheffield City Centre on the western side of Hoyle Street (A61).. This is the main ring road which surrounds the City Centre before leading out to the M1. It benefits from a strong prominence onto this main road. The immediate vicinity comprises commercial buildings fronting Hoyle Street, alongside residential uses.

The scheme is 1.45 km (0.9 miles) to the north west of Sheffield City Centre amenities and central shopping area. The tram, with a stop adjacent to the property, provides easy access to these amenities within 15 minutes and there are numerous bus routes from the property.

In relation to the higher education institutions in the city, the property lies 0.8 km (0.5 miles) north of the University of Sheffield campus 1.45 km (0.9 miles) from Sheffield Hallam University City Campus..

In terms of its location in relation to the other purpose built student accommodation schemes, iQ Brocco and Aspect 3 are located 0.32 km (0.2 miles) to the south within the inner ring road in a cluster of student accommodation, both private and university owned. Unite's Central Quay is located 0.8 km (0.5 miles) to the east, iQ Steel is situated 0.96 km (0.6 miles) to the south on the edge of the University of Sheffield campus and Unite's Devonshire Courtyard is 1.45 km (0.9 miles) to the south in the centre of the city.

Sheffield contains two major higher educational institutions; The University of Sheffield and Sheffield Hallam University ranked 18<sup>th</sup> and 77<sup>th</sup> respectively. We also note Sheffield City College may increase the student population in the city. A summary of student and bed numbers is shown in the table below:

Sheffield Student Accommodation Summary	Students	% total full time student population
Students living in University Halls of Residence	11,846	25.2%
Student living in private sector purpose built accommodation	5,374	11.5%
Students not in University Halls of Residence or private sector purpose built accommodation	29,670	63.3%
Total Sheffield full-time Higher Education population	46,890	100%

**Sheffield 3**  
**Sheffield – Market**  
**Value**

<b>Market Value</b>	<b>£52,250,000</b>
Estimate of Gross Income	£5,038,737
Estimated gross outgoings per annum	£1,636,800
Estimated total net income	£3,401,937
Net Initial Yield	6.81%

**The Summit**  
**Eastern Boulevard**  
**Leicester**  
**LE2 7DX**

The Summit is a purpose built student accommodation scheme that opened in September 2012. It provides 369 bedrooms in total and is configured as studio rooms and 1 bed flats. The property is held Freehold.

The scheme features a four-storey building alongside a 22-storey tower. The block is constructed in steel frame and clad elevations with double glazed UPVC windows.

The vehicular access and pedestrian access to the Summit are via a secure gated entrance on Eastern Boulevard. Both vehicular access points lead to courtyard car parking areas for approximately 16 cars. There is bicycle storage for 18 bikes.

There is an office located at the ground floor of the 22-storey building and a lobby located at the ground floor of the 4-storey building providing two vending machines. There is no common room in the subject property. On-site facilities include CCTVs, laundry room, bicycle storage and 24-hour security.

The Summit, as the tallest student accommodation property in Leicester is a landmark building of 22 floors. It is situated on the corner of Jarrom Street and Eastern Boulevard. The main campuses of De Montfort University are 0.48km (0.3 miles) to the northwest of the property and 1.6km (1 mile) to University of Leicester.

In the immediate vicinity of the property are the University campuses and a mixture of commercial and residential along Eastern Boulevard. It is approximately 1.3km (0.8 miles) to the city centre and 1.6km (1 mile) to the rail station.

In terms of location in relation to other private accommodation schemes, The Summit is between Liberty Park on Raw Dykes Road and Code at 70 Eastern Boulevard. The property is also located within 0.3 km (0.2 miles) northeast of Mansion Group's Mansion Court.

Leicester is host to two major Higher Education Institutions, being the University of Leicester, ranked 14th by the Times Good University Guide 2014 and De Montfort University ranked 86<sup>th</sup>.

A summary of student and bed numbers is shown in the table below:

Leicester Student Accommodation Summary	Students	% total full time student population
Students living in University Halls of Residence	7,113	24.3%
Student living in private sector purpose built accommodation	5,620	19.2%
Students not in University Halls of Residence or private sector purpose built accommodation	16,562	56.5%
Total Leicester full-time Higher Education population	29,295	100%

**The Summit  
Leicester – Market  
Value**

<b>Market Value</b>	<b>£25,380,000</b>
Estimate of Gross Income	£2,304,216
Estimated gross outgoings per annum	£608,850
Estimated total net income	£1,695,366
Net Initial Yield	6.50%

**Notes**

Estimated total net income: Comprises the estimated gross income derived from student lettings, car parking, sundry income and commercial rents after deductions of ground rent and estimated costs of facilities management, repairs and maintenance for the forthcoming (2014/15) academic year.

Estimated net initial yield: Annualised estimated net income, divided by the Market Value of the asset plus notional purchasers' costs.



**APPENDIX 2**  
**PRO FORMA SERVICER QUARTERLY REPORT**



**AYR ISSUER S.A**  
**QUARTERLY INVESTOR REPORT**

Reporting Period: XQ20XX

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This is the Servicer Quarterly Report prepared by Solutus Advisors Ltd ("Solutus") as Servicer on behalf of AYR ISSUER S.A. . Certain information in this report is derived from information provided to Solutus by third parties, which may include the borrower, its affiliates and the cash manager. In these cases Solutus has not independently verified such third party information and does not provide any assurance or warranty as to its accuracy or completeness and does not accept any liability whatsoever for any direct or consequential losses arising from reliance by any person on the information contained herein.

# SERVICER CONTACT DETAILS & CONFIRMATIONS

## Contact Details

### Primary & Special Servicer

**Solutus Advisors Ltd**  
4-6 Throgmorton Avenue  
London EC2N 2DL

Phone: +44 (0) 845 555 4141

Email: info@solutus-advisors.com

## Servicer Disclosure

## Professional Appointments and Advisors

Documents are available for this Transaction upon request from the Servicer at the following email address, info@solutus-advisors.com

### LOAN SUMMARY – Q4 2014

Loan Information				Property Information			
	Current Period	Previous Period	Issuance		Current Period	Previous Period	Issuance
Date	TBC	TBC	TBC	Location	England	England	England
Maturity Date	TBC	TBC	TBC	Type	Student Accommodation	Student Accommodation	Student Accommodation
Whole Loan Balance BOP	£0	£0	£0	Number of Assets	4	4	4
Scheduled Repayments	£0	£0	£0	Total No. of Units/Rooms	TBC	TBC	TBC
Voluntary Prepayments	£0	£0	£0	No. of Units/Rooms Occupied	TBC	TBC	TBC
Mandatory Prepayments	£0	£0	£0	Occupancy Rate	TBC	TBC	TBC
Loan Enforcement Proceeds	£0	£0	£0	Market Value	TBC	TBC	TBC
Whole Loan Balance EOP	£0	£0	£0	Date of Valuation	TBC	TBC	TBC
Interest Type	3-m LIBOR	3-m LIBOR	3-m LIBOR	NOI	TBC	TBC	TBC
All-in Interest Rate	0.00%	0.00%	0.00%				
Remaining Loan Term	0.00 yrs	0.00 yrs	0.00 yrs				
Loan Status	Compliant	Compliant	Compliant				

Covenant Information				
	Covenant	Current Quarter	Previous Quarter	,@ Issuance
ICR	> 150%	XXX%	XXX%	TBC
LTV	< 90%	XX%	XX%	60.00%

\*If certain conditions are met under the Facility Agreement the Maturity Date can be extended by 2 years

Transaction Dates		Upcoming Loan Events	
Collection Period	XX/XX/XX – XX/XX/XX	Insurance Renewal Date	XX/XX/XX
Loan Interest Payment Date	XX/XX/XX	Revaluation Date	XX/XX/XX
Loan Interest Period	XX/XX/XX – XX/XX/XX		
Note Interest Payment Date	XX/XX/XX	Borrower Accounts Due	XX/XX/XX
Note Interest Period	XX/XX/XX – XX/XX/XX	Borrower Business Plan Due	XX/XX/XX
Determination Date	XX/XX/XX		
Expected Note Maturity Date	XX/XX/XX		
Final Note Maturity Date	XX/XX/XX		
Next Annual Review	XX/XX/XX		

ICR History		LTV History	

Insert free text regarding Covenants and Cash Trap Triggers.

i.e the ICR is based off the lower of the Historic 12 month and Projected 12 month Interest Cover Tests

SNAPSHOT OF KEY UPDATES

From a Loan Perspective include details of;

Any amendments /waivers/consents.

Sales/Disposals/Prepayments

Major Loan Events – ie change of control etc.

Any breaches of Cash trap triggers/Payment Triggers/Covenants.

Details regarding any major variance in the ICR or LTV

Details on whether Key Dates have been met / or upcoming Key Dates.

From a Bond Perspective include details of;

A confirmation that all required bond payments on the notes were paid in full.

**PRINCIPAL & INTEREST DETAILS – Q4 2014**

Interest Accrual for Period		
<b>Facility Interest Statement</b>		
Interest Period Start Date		XX/XX/XXXX
Interest Period End Date		07/11/2014
<b>No. of days</b>		XX
Day count		Act/365
<b>Interest Rate</b>		
Libor - 3m		X.XXXX%
Margin		X.XXXX%
All-in Rate		X.XXXX%
<b>Principal Balance</b>	GBP	107,262,000.00
<b>Interest Payable</b>	GBP	XXX,XXX.XX
<b>Interest Received</b>	GBP	XXX,XXX.XX
<b>Interest Shortfall</b>	GBP	-
<b>Interest Rate Next Period</b>		
Libor - 3m		X.XXXX%
Margin		X.XXXX%
All-in Rate		X.XXXX%

Repayment & Prepayment for Period
-----------------------------------

*Text box to provide details of –*

*Mandatory Prepayments*

*Voluntary Prepayments*

*Triggers that have resulted in a Prepayment.*

**CONTROL ACCOUNT ANALYSIS**

Account Balances				
------------------	--	--	--	--

	Balance at the End of Period			
	Q1	Q2	Q3	Q4
Operating Income Account				
Rent Account				
Deposit Account				
Disposals Account				
Cure Account				
Cash Trap Account				
Sinking Fund Account				

*Text Box to provide details of;*

*Cash Trap Trigger / Cash Trap Trigger release*

*Historical Trapped Amounts being used for Mandatory Prepayments*

*Current and Requisite Rating of the Account Banks*

*Movement of funds to and from Accounts etc.*

Rent Account Waterfall	
------------------------	--

<b>Net Rental Income</b>	£	-
(a) firstly, in funding of the current Quarter's Operating Expenses in accordance with the applicable Annual Budget;	£	-
(b) secondly, in or towards payment pro rata of any unpaid costs, fees, expenses, indemnity payments and other amounts owing to the Borrower Facility Agent, the Arranger or the Borrower Security Trustee under the Finance Documents	£	-
(c) thirdly, in or towards payment pro rata to the Borrower Facility Agent for the lender of any accrued interest and fees due but unpaid under the Borrower Facility Agreement;	£	-
(d) fourthly, in or towards payment pro rata to the Borrower Facility Agent for the Lender of any principal due but unpaid under the Borrower Facility Agreement;	£	-
(f) fifthly, in or towards payment pro rata of any other sum due but unpaid to the Finance Parties under the Finance Documents; and	£	-
(f) sixthly:		
(i) all amounts shall be transferred by the Borrower Security Trustee to the Cash Trap Account if:		
(I) the Interest Cover on the relevant Test Date is less than 200% (the "ICR Cash Trap Trigger"); or		
(II) the Loan to Value on the relevant Test Date is greater than 70% (the "LTV Cash Trap Trigger"); or	£	-
(ii) if the Loan to Value on the relevant Test Date is greater than 65% (the "50:50 LTV Cash Trap Trigger"), then fifty per cent of amounts standing to the credit of the Rent Account shall be transferred by the Borrower Security Trustee to the Cash Trap Account		
(g) seventhly, provided that no Event of Default has occurred and is continuing' payment of any surplus into the General Account.	£	-

## ROPERTY DETAILS

Property Name	Address	Property Type	Tenure	Head Lease Expiry Date	Allocated Loan Amount at Issuance	Release Price at Issuance	Market Value at Issuance	Net Initial Yield at Issuance	Number of Rooms at Issuance
Nottingham 1,2,3 Nottingham Trinity Square Sheffield 3 The Summit Leicester									
TOTAL/ WEIGHTED AVERAGE									

### Current Aggregate Property Information

Current Market Value*	£XXXXXX
Valuation Date	xx/xx/xx
Valuer	XXXXXXXX
No of Units/Rooms	XXXX
No of Units/Rooms Occupied	XXXX
Next Scheduled Revaluation	xx/xx/xx
Next Date of Inspection	xx/xx/xx
Insurance Date of Renewal	xx/xx/xx
NOI Current Period	£XXXXXXXX
NOI Historic 12 Months	£XXXXXXXX
NOI Projected 12 Months	£XXXXXXXX
Current Occupancy	XX%
Budgeted Occupancy	XX%

### Key Property Updates

*This section will include;*

*Details of all material correspondence with insurance brokers handling the insurance of any Property.*

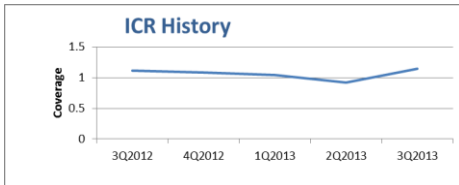
*Details of any actual or proposed significant capital expenditure with respect to each Property;*

*Details of any actual or required material repairs to each Property; and*

*Any other information in relation to a Property reasonably requested or received within the reporting by the Agent.*

\*Updated valuation provided on aggregate, unless the transaction breaches the 100% Cash Trap covenants, at which point the long form valuation will be available upon request.

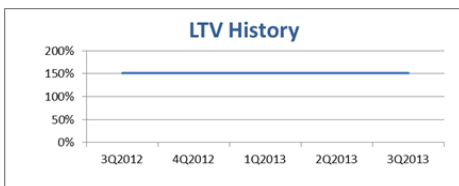
## COVENANT TESTING



ICR Covenant and Cash Trap		ICR	
Covenant	150%	Current	XXX%
Property Advisor	175%	Previous	XXX%
Cash Trap	200%	Issuance	TBC

	<u>HISTORICAL</u>	<u>PROJECTED</u>
NOI	£XX,XXX,XXX	£XX,XXX,XXX
Finance Costs	£XX,XXX,XXX	£XX,XXX,XXX
Interest Cover %	<u>XXX.XX%</u>	<u>XXX.XX%</u>

\* The lower of the Historic and Projected Interest Cover is used for the purposes of testing the Interest Cover Covenant.



LTV Covenant and Cash Trap		LTV	
Covenant	80%	Current	XX%
Cash Trap	70%	Previous	XX%
50:50 Cash Trap	65%	Issuance	60%

<u>LTV Calculation</u>	
Net Loan Balance for the Period*	£XXX,XXX,XXX
Valuation (dated XXXX)	£XXX,XXX,XXX
LTV %	<u>XX.XX%</u>

\*The Net Loan Balance is calculated based on the outstanding loan amount less any amounts standing to the credit of the Issuer Reserve Account, the Cash Trap Account and the Cure Account.

### Key Covenant Updates

*This section will include;*

*The effect of operating performance on the ICR covenant.*

*Any changes in the LTV and the reason for the change, prepayment/disposal of asset, repayment, revaluation.*

*Any breaches of Cash trap triggers/Payment Triggers/Covenants.*

*Any equity cure*

## CURRENT NOTE DISTRIBUTION

Tranche Class Name	Common Code / ISIN (S Notes) / Common Code / ISIN	Original Principal Balance	No. Of Notes	Original WAL	Beginning Principal Balance	Total Principal Distribution	Ending Principal Balance	Total Interest Distribution
Secured Floating Rate Notes	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
<b>GBP Total</b>		[*]			[*]	[*]	[*]	[*]

## INTEREST RECONCILIATION DETAIL

Tranche Class Name	Common Code / ISIN (S Notes) / Common Code / ISIN	Method	Days	Beginning Principal Balance	Rate of Interest	Total Interest Accrued (excluding deferred)	Other Interest	Total Interest Payments
Secured Floating Rate Notes	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
<b>GBP Total</b>				[*]		[*]	[*]	[*]
<b>LIBOR rate for this period</b>				[*]				

## EXPENSES RECONCILIATION DETAIL

Available Funds	
Amounts Distributed by Issuer	
Note Trustee Fee	[*]
Issuer Security Fee	[*]
Borrower Security Fee	[*]
Borrower Facility Agent Fee	[*]
Paying Agent Fee	[*]
Registrar Fee	[*]
Agent Bank Fee	[*]
Cash Manager Fee	[*]
Issuer Account Bank Fee	[*]
Corporate Service Provider Fee	[*]
Servicer Fee	[*]
Special Servicer Fee	[*]
Amounts due to Third Parties	[*]
S&P Surveillance Fee	[*]
<b>Amounts Distributed by the Issuer</b>	<b>[*]</b>

## PRE-ENFORCEMENT PRIORITY OF PAYMENTS WATERFALL

Available Funds		[*]
Expenses (a)	first, in or towards satisfaction, pari passu and pro rata according to amounts then due, of any amounts due and payable to the Note Trustee	[*]
	of any amounts due and payable to the Issuer Security Trustee	[*]
	of any amounts due and payable to the Borrower Security Trustee	[*]
	of any amounts due and payable to the Borrower Facility Agent	[*]
Expenses (b)	second, in or towards satisfaction, pari passu and pro rata according to the amounts then due, of any amounts due and payable to the Paying Agent	[*]
	of any amounts due and payable to the Registrar	[*]
	of any amounts due and payable to the Agent Bank	[*]
Expenses (c)	third, in or towards satisfaction, pari passu and pro rata according to the amounts then due, of any amounts due and payable to the Cash Manager	[*]
	of any amounts due and payable to the Issuer Account Bank	[*]
Expenses (d)	fourth, in or towards satisfaction, pari passu and pro rata according to the amounts then due, of any amounts due and payable to the Issuer Corporate Services Provider	[*]
	of any amounts due and payable to the Servicer	[*]
	of any amounts due and payable to the Special Servicer	[*]
Expenses (e)	fifth, in or towards payment of the S&P surveillance fee in respect of the Notes	[*]
Expenses (f)	sixth, in or towards payment or discharge of amounts due and payable by the Issuer to third parties	[*]
Revenue Priority (g)	seventh, in or towards payment of Interest due and Interest overdue on the Notes;	[*]
Revenue Priority (h)	eighth, in or towards payment of all other amounts (other than principal and Interest) due and overdue on (or under the terms of) the Notes (including any Prepayment Premium);	[*]
Revenue Priority (i)	ninth, in or towards payment of any Principal Distribution Amount due on the Notes;	[*]
Revenue Priority (j)	tenth, to transfer to the Share Capital Account an amount equal to £1,000 representing profit of the Issuer in respect of such Note Payment Date (the "Issuer Profit") from which the Issuer shall satisfy its liability to pay when due corporation tax on that amount in accordance with Item (e) of this Pre-Enforcement Priority of Payments	[*]
Revenue Priority (k)	eleventh, any surplus to be retained in the Issuer Transaction Account	[*]
<b>Total Distributed</b>		<b>[*]</b>

# Cash Reconciliation Detail

Available Collections		Distributions	
<b>Available Revenue Funds</b>		<b>Amounts Distributed by the Issuer</b>	[*]
		(see Other Required Information page for further detail)	
All monies (other than Principal Receipts)	[*]		
Quarterly Facility Fee	[*]		
Interest Accrued on the Issuer Transaction Account	[*]		
Interest Reserve Drawing	[*]		
<b>Available Revenue Funds</b>	<u>[*]</u>		
<b>Available Principal Receipts</b>		<b>Distributions to Noteholders</b>	
Scheduled Payments	[*]	Interest Distribution	[*]
Unscheduled Payments	[*]	Principal Distribution	[*]
Voluntary prepayments	[*]	Other amounts due (Prepayment Premium)	[*]
Mandatory Prepayments	[*]		
Loan Enforcement Proceeds	[*]	<b>Distributions to Noteholders</b>	[*]
Sale and Disposal Proceeds	[*]		
<b>Available Principal Receipts</b>	<u>[*]</u>	<b>Other Distributions</b>	
<b>Available Funds</b>		Issuer Profit Amount	[*]
Revenue Receipts	[*]	Surplus Distribution to Issuer	[*]
Principal Receipts	[*]	<b>Other Distributions</b>	[*]
Amounts Received from the Cap Provider	[*]		
<b>Prepayment Premium</b>	<u>[*]</u>		
<b>Available Funds</b>	<u><u>[*]</u></u>	<b>Total Distributions</b>	<u><u>[*]</u></u>

## Issuer Account Summary & Financial Accounts

### Issuer Transaction Accounts

<b>Opening Balance</b>	_____
	=====
Amounts credited	
Retained Issuer Profit	
Amounts debited	
<b>Closing Balance</b>	_____
	=====

### Issuer Financial Accounts

Details of when the next Financial Y/E are and how to obtain the audited financial statements

## RATING DETAILS & NOTICES

Tranche Class Name	Common Code / ISIN (S Notes) / Common Code / ISIN	-- Original Ratings --		-- Ratings Change / Change Date (1) --	
		S&P		S&P	
Secured Floating Rate Notes	[*]	[*]		NR	

### Rating Agency & Published Transaction Notices

*Include any details of any Rating Agency reports or notice, with a brief synopsis and details on where to obtain such notice.*

*Include details of any RIS announcements that have been made during the past period.*

## DEFINITIONS SCHEDULE\*

Defined Term	Source Agreement	Definition



## INDEX OF DEFINED TERMS

£ 5		Cash Trap Trigger	155
50:50 LTV Cash Trap	159	Closing Date	1, 233
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