

**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISERS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 IMMEDIATELY.**

**UPP BOND 1 ISSUER PLC**  
**(the Issuer)**  
**(incorporated in England and Wales with limited liability**  
**under the Companies Act 2006 with registered number 8255980)**

### **NOTICE OF A MEETING**

of the holders of:

**£307,100,000 Amortising Fixed Rate Index-Linked Rate Senior Secured Notes due 2040**  
**£75,000,000 Amortising RPI Index-Linked Senior Secured Notes due 2047**  
**£149,700,000 Amortising 1.037% RPI Index-Linked Notes due 31 August 2049**

of the Issuer presently outstanding (together, the **Noteholders** and the **Notes** respectively).

NOTICE IS HEREBY GIVEN that a Meeting of the Noteholders convened by the Issuer will be held at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG on 15th February, 2018 at 10 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution in accordance with the provisions of the Note Trust Deed dated 5th March, 2013 (the **Note Trust Deed**) between the Issuer, UPP Bond 1 Holdings Limited (the **HoldCo**), UPP Bond 1 Limited (the **ParentCo**) and U.S. Bank Trustees Limited (the **Issuer Note Trustee**) and constituting the Notes.

Terms used but not otherwise defined in this Notice shall have the meanings given to them in the Note Trust Deed and the Proposal Request annexed to this Notice (the **Proposal Request**).

The Resolution will be proposed as an Extraordinary Resolution for the purpose of the Proposal Request and will also constitute a vote in respect of an ISC Matter for the purpose of the MA Proposal Request. See further "*Voting and Quorum*" below.

### **EXTRAORDINARY RESOLUTION**

"THAT this Meeting of the holders (the **Noteholders**) of:

- (i) £307,100,000 Amortising Fixed Rate Index-Linked Senior Secured Notes due 2040;
- (ii) £75,000,000 Amortising RPI Index-Linked Senior Secured Notes due 2047; and
- (iii) £149,700,000 Amortising 1.037% RPI Index-Linked Notes due 31 August 2049,

(together, the **Notes**) in each case of UPP Bond 1 Issuer plc (the **Issuer**) constituted by the Note Trust Deed dated 5th March, 2013 made between the Issuer and U.S. Bank Trustees Limited (in its capacity as the **Issuer Note Trustee**) (the **Note Trust Deed**) hereby passes the following as an Extraordinary Resolution:

- (a) that the Issuer Note Trustee, in its capacity as Secured Creditor Representative of the Noteholders, be authorised, directed, requested and empowered, with effect on and from the date of the Meeting, to notify U.S. Bank Trustees Limited in its capacity as Issuer Security Trustee (the **Issuer Security Trustee**) that the Noteholders approve the Proposal Request for

the purposes of Clause 5.1 (*Scope of Entrenched Rights*) of Part C of Schedule 2 to the Issuer Deed of Charge;

- (b) that the Issuer Note Trustee, in its capacity as Secured Creditor Representative of the Noteholders, be authorised, directed, requested and empowered, with effect on and from the date of the Meeting, to vote as the Secured Creditor Representative of the Issuer in respect of the Proposal Request (which, for the avoidance of doubt, shall include voting for or against the MA Proposal appended thereto for the purposes of Paragraph 7 (*ISC Direction Matter*) of Schedule 2 to the Monitoring Services Agreement) by dividing votes cast in respect of each relevant series between those votes cast in favour and those votes cast against the Proposal Request on a pound for pound basis in order that such votes may be aggregated by the Issuer Security Trustee with the votes cast for and against the Proposal Request by other Qualifying Issuer Secured Creditors (if any);
- (c) that the Issuer Note Trustee be authorised, directed, requested and empowered, in order to give effect to the agreements, consents, waivers, modifications, actions, instructions and steps contemplated in, or in relation to or in connection with, the Proposal Request and the MA Proposal Request to consent and/or concur with respect to any item or thing, execute any document and/or take any other action (and instruct all other relevant persons to do the same) that is necessary or advisable and to effect all such other transactions, deeds, instruments, acts and things as may be necessary, desirable or expedient, in the sole discretion of the Issuer Note Trustee, to carry out and give effect to and to implement the Extraordinary Resolution, the Proposal Request and MA Proposal Request;
- (d) that the Issuer Note Trustee shall be discharged, indemnified and exonerated from all liability in respect of any act or omission for which the Issuer Note Trustee may have become responsible under the Note Trust Deed, any other Transaction Document or otherwise, in connection with the Extraordinary Resolution or its implementation, even though it may be subsequently found that there is a defect in the passing of the Extraordinary Resolution or, that for any reason, the Extraordinary Resolution is not valid or binding on the Noteholders; and
- (e) that the Noteholders waive (and authorise and instruct the Issuer Note Trustee to waive) any and all formalities, requirements, restrictions or conditions precedent set forth in the Transaction Documents on any person relating to the Extraordinary Resolution or its implementation (including, for the avoidance of doubt, any requirement to obtain legal opinions in connection therewith)."

The resolutions set out above constitute a single Extraordinary Resolution of the Noteholders and by casting votes in favour or against such resolutions each such holder shall be deemed to have voted in favour or, as the case may be, against the Extraordinary Resolution in its entirety.

#### **RATIONALE FOR PROPOSING THE EXTRAORDINARY RESOLUTION**

Full details of the background to, and the reasons for, the Extraordinary Resolution are contained in the Proposal Request.

In addition, the Group Agent will be hosting a meeting to further explain the background to, and rationale for, the proposals and to answer any queries Noteholders may have. This meeting will take place at the offices of the Group Agent (40 Gracechurch Street, London EC3V 0BT) at 10 a.m. (London time) on 31st January, 2018. Dial in details will also be available for those Noteholders who are unable to attend in person. In addition, the Group Agent is also willing to arrange separate meetings for individual Noteholders on 24th January, 2018, 29th January, 2018 and/or 31st January, 2018 if requested. You are requested to contact the Group Agent at [Investor.Relations@upp-ltd.com](mailto:Investor.Relations@upp-ltd.com)

should you wish to attend or receive dial in details or arrange a separate meeting. The Group Agent shall be entitled to request proof of a holding of Notes and to refuse entry to such meeting or to refuse to provide any such dial in details where it is not, in its discretion, satisfied as to the same.

The Issuer Obligors consider that the proposals set out in the Extraordinary Resolution are fair and reasonable in the circumstances and, accordingly, each Issuer Obligor recommends all Noteholders to vote in favour of the Extraordinary Resolution.

### **VOTING FEE**

UPP Group Limited (**UPP Group**) will pay to each Noteholder (by way of payment into the relevant clearing system account) from whom a Valid Voting Fee Instruction is received, the Voting Fee on the Voting Fee Payment Date, subject to the satisfaction of the Voting Fee Conditions. The Voting Fee shall be payable whether a Noteholder has voted in favour of or against the Extraordinary Resolution.

The Issuer shall notify the Noteholders, promptly following the satisfaction of the Voting Fee Conditions, of the Voting Fee Payment Date.

Noteholders who have not delivered or arranged for the delivery of a Valid Voting Fee Instruction as provided above but who wish to attend and vote at the Meeting may do so by requesting a voting certificate in accordance with the voting and quorum procedures set out below. However, Noteholders that do so will not be eligible for the Voting Fee.

For these purposes:

**Valid Voting Fee Instruction** means a valid instruction by a Noteholder to the Paying Agent to issue a block voting instruction in respect of his Note(s) which is received by the Paying Agent and not validly revoked.

**Voting Fee** means a cash payment of an amount of £0.50 for each £1,000 in principal amount of the Notes that are the subject of a Valid Voting Fee Instruction.

**Voting Fee Conditions** means (a) the Extraordinary Resolution is passed, (b) all other consents required in respect of the Proposal Request are received on or prior to the expiry of the Decision Period and (c) the REIT conversion and the other Proposed Changes are effected.

**Voting Fee Payment Date** means the date falling 15 Business Days after the satisfaction of the Voting Fee Conditions.

### **THE INVESTMENT ASSOCIATION**

The proposal described in the Proposal Request and this Notice (the **Proposal**) has been considered by a special committee (the **Special Committee**) of The Investment Association at the request of the Issuer. The members of the Special Committee, who hold in aggregate approximately 61.09 per cent of the current principal amount outstanding of the Notes, have examined the Proposal. They have informed the Issuer that they find the Proposal acceptable; and that, subject to client and other approvals, they intend to vote in favour of the Proposal in respect of their holdings of Notes.

The Special Committee has advised the Issuer that this recommendation relates only to the Proposal and not to any future offers or proposals which the Issuer may make.

### **GENERAL**

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "*Voting and Quorum*" below.

Copies of the Note Trust Deed (including the Terms and Conditions of the Notes) and of certain other relevant documents will be available for inspection by Noteholders during normal business hours at the specified office of the Principal Paying Agent set out below.

In accordance with normal practice, the Issuer Note Trustee expresses no opinion as to the merits of the proposals set out in the Extraordinary Resolution as presented to the Noteholders in the Proposal Request and referred to above (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in the Proposal Request (which it recommends Noteholders to read carefully), and in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the Noteholders for their consideration. The Issuer Note Trustee has, however, not been involved in formulating the proposals set out in the Extraordinary Resolution and makes no representation that all relevant information has been disclosed to Noteholders in the Proposal Request and this Notice. Accordingly, the Issuer Note Trustee urges Noteholders who are in any doubt as to the impact of the implementation of the proposals set out in the Extraordinary Resolution to seek their own independent financial and/or other professional advice.

### VOTING AND QUORUM

- 1 The provisions governing the convening and holding of a Meeting are set out in Schedule 4 to the Note Trust Deed, a copy of which is available for inspection by the Noteholders during normal business hours at the specified office of the Principal Paying Agent set out below.

The provisions governing voting in respect of ISC Matters are set out in Part 2 of Schedule 4 to the Note Trust Deed. As the Resolution will be proposed as an Extraordinary Resolution for the purpose of the Proposal Request and will also constitute a vote in respect of an ISC Matter for the purpose of the MA Proposal Request, the requirements to be satisfied in respect of the Resolution shall constitute the minimum necessary to satisfy both sets of requirements (as summarised below).

All of the Notes are represented by global notes held by a common depositary for Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or Euroclear Bank SA/NV (**Euroclear**). For the purposes of the Meeting, a Noteholder shall mean each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of the Notes.

A Noteholder wishing to attend the Meeting in person must produce at the Meeting a valid voting certificate issued by the Paying Agent relating to the Note(s) in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either:

- (a) deliver his valid voting certificate(s) to the person whom he wishes to attend on his behalf; or
- (b) instruct the Paying Agent to issue a block voting instruction in respect of his Note(s) (in accordance with the requirements of Clearstream, Luxembourg and/or Euroclear).

A Noteholder must request the relevant clearing system to block the Notes in his own account and to hold the same to the order or under the control of the Paying Agent not later than 48 hours before the time appointed for holding the Meeting in order to obtain voting certificates or give block voting instructions in respect of the relative Meeting. Notes so blocked will not be released until the earlier of:

- (a) the conclusion of the Meeting (or, if later, any adjournment of such Meeting); and

- (b) (i) in respect of a voting certificate, the surrender of the certificate to the Paying agent who issued that voting certificate; and
- (ii) in respect of a block voting instruction, the surrender to the Paying Agent not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened of the receipt issued by the Paying Agent in respect of each such Note ceasing with the agreement of the Paying Agent to be held to its order or under its control or so blocked and the giving of notice by the Paying Agent to the Issuer in accordance with Paragraph 17 of Part 1 of Schedule 4 to the Note Trust Deed of the necessary amendment to the block voting instruction.

A beneficial owner who wishes to vote and whose Notes are held in the name of a broker, dealer, bank, commercial bank, custodian, trust company, nominee or direct participant in Euroclear and/or Clearstream, Luxembourg must contact such entity promptly and instruct or make arrangements with such entity to vote in accordance with the customary procedures of Euroclear and/or Clearstream, Luxembourg on behalf of the Noteholders. The deadlines set by any such custodial entity and Euroclear and/or Clearstream, Luxembourg for the submission of votes to the Extraordinary Resolution may be earlier than the relevant deadlines specified in this Notice of Meeting.

- 2 The quorum required at the Meeting is two or more persons present holding voting certificates or being proxies or representatives and holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding (as defined in the Note Trust Deed) of the Notes for the time being outstanding. If a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Noteholders). The quorum at such an adjourned Meeting will be one or more persons present holding voting certificates or being proxies or representatives (whatever the Principal Amount Outstanding (as defined in the Note Trust Deed) of the Notes then outstanding so held or represented by them).

Noteholders should note this quorum requirement and should be aware that if the Noteholders either present or appropriately represented at the Meeting are insufficient to form a quorum the Extraordinary Resolution cannot be formally considered thereat. Noteholders are therefore encouraged either to attend the Meeting in person or to arrange to be represented at the Meeting as soon as possible.

- 3 The Chairman is entitled to require the Resolution to be decided in the first instance by a show of hands. However, to satisfy the requirements in respect of ISC Matters, the Chairman will not exercise his/her right to do so and, instead, the Resolution will be decided by a poll.

On a poll every person who is so present shall have one vote in respect of each £1 or such other amount as the Issuer Note Trustee may in its absolute discretion stipulate in nominal amount so represented by the voting certificates so produced or in respect of which he is a proxy or representative.

**PRINCIPAL PAYING AGENT**

Elavon Financial Services DAC, UK Branch  
125 Old Broad Street  
London EC2N 1AR

**ISSUER NOTE TRUSTEE**

U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR

This Notice is given by:  
UPP Bond 1 Issuer plc  
40 Gracechurch Street  
London EC3V 0BT

Dated 17th January, 2018

**Annex**  
**Proposal Request**

To: U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR

Attention: Structured Finance Relationship Manager

(the **Issuer Security Trustee**)

cc: Secured Credit Representative of each Issuer Secured Creditor and the Secured Creditor Representative of the Issuer, each as set out in Schedule 1

10th January, 2018

Dear Sirs

**Proposal Request relating to the £5,000,000,000 Multicurrency Programme for the Issuance of Senior Secured Notes (Programme) of UPP Bond 1 plc (the Issuer)**

**1 Introduction**

1.1 We refer to:

- (a) the Issuer Deed of Charge dated 5th March, 2013 between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Issuer Deed of Charge**);
- (b) the Common Terms Agreement dated 5th March, 2013 between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Common Terms Agreement**);
- (c) the Tax Deed of Covenant dated 5th March, 2013 (as amended and restated on 9th December, 2014) between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Tax Deed of Covenant**); and
- (d) the Monitoring Services Agreement dated 5th March, 2013 (as supplemented on 23rd December, 2013) between, *inter alios*, the Issuer, the Issuer Security Trustee and Bishopsfield Capital Partners Limited (the **Monitoring Adviser**) (the **Monitoring Services Agreement**).

1.2 This letter constitutes a "Proposal Request" for the purposes of the Issuer Deed of Charge.

1.3 Terms used but not otherwise defined in this Proposal Request shall have the meanings given to them in the Common Terms Agreement.

**2 REIT Conversion**

2.1 The UPP Group is proposing to convert to a UK Real Estate Investment Trust (REIT) on or around 28th February, 2018. The REIT structure has been promoted by the UK Government as an efficient vehicle for long term ownership of UK real estate interests.

2.2 The rationale for the REIT conversion is that it will make the project cash flows more resilient because the AssetCos will become exempt from corporation tax on their future property rental



business profits, so that cash previously shown in the financial models as needed to pay corporation tax will, thereafter, no longer be payable to HM Revenue & Customs (**HMRC**) and will therefore become available to other stakeholders. Under the REIT rules, United Kingdom tax is, instead, charged, by way of withholding tax, on property income dividends paid by the REIT to its ultimate shareholders. It also mitigates the likely adverse longer term impact on cash flows from certain proposed changes to United Kingdom tax legislation.

- 2.3 Tax, accounting and legal advice has been obtained by UPP to establish that the UPP Group will satisfy the conditions of the UK REIT regime.
- 2.4 Conversion to a REIT does not require significant changes to the existing UPP Group structure. Written elections must be filed with HMRC, following which the property companies in the UPP Group (principally, the AssetCo companies) will become exempt from UK corporation tax on their property income and gains. This will obviously enhance the amounts of available free cash flow within those companies, to the benefit of all stakeholders.

### **3 Proposed Changes**

#### *General*

- 3.1 The principal changes (set out in more detail in Schedule 2) to be effected as part of the REIT conversion are, broadly:
- (a) the establishment of a new ultimate holding company (the **New TopCo**) to meet the specific REIT requirement for a listed parent (this is proposed rather than listing the existing group holding company on the basis that it will be easier for UPP to satisfy the relevant listing requirements) and, subsequently, the side-lining of Student UK TopCo Limited (as the Ultimate Parent, the **Retiring TopCo**). Please note, however, that no changes will be required to the structure of the Group;
  - (b) the waiver of the existing subordinated shareholder debt borrowed by each AssetCo, (i.e. the Intra-Group Debt) (the **Intra Group Debt Waiver**). For the avoidance of doubt, no amendments are required to the On-Loans; and
  - (c) consequent upon that, ensuring flexibility (within the relevant documents) to access future surplus cash of the project companies, by way of dividend or upstream loans,
- together, the **Proposed Changes**.

#### *Establishment of a new ultimate holding company and amendments to the Tax Deed of Covenant*

- 3.2 The establishment of a new ultimate holding company does not of itself require the consent of the Issuer Security Trustee or the Issuer Secured Creditors, though the Tax Deed of Covenant requires that, in such circumstances, the Retiring TopCo will procure that the New TopCo enter into a deed supplemental to the Tax Deed of Covenant pursuant to which the New TopCo will give the same representations, warranties and covenants as the Retiring TopCo has given in the Tax Deed of Covenant.
- 3.3 However, as the Retiring TopCo will no longer have any control over the Group, it is proposed that the Retiring TopCo is effectively released from all its obligations under the Tax Deed of Covenant by novating these to the New TopCo. This will require the consent of the Issuer Security Trustee.

3.4 Additional changes are also proposed to certain detailed provisions of the Tax Deed of Covenant, particularly in relation to loss surrenders. These amendments are to reflect the changed tax circumstances of the Assetcos post the REIT conversion (as described above), and certain changes resulting from recent UK tax legislation and will require the consent of the Issuer Security Trustee. An explanation of these changes, which are a necessary and integral feature of the REIT conversion, has been provided in a series of Questions and Answers prepared by UPP (a copy of which has been provided to the Monitoring Adviser for the purpose of advising the Issuer Security Trustee) (the **Loss Surrenders Q&As**). The Loss Surrenders Q&As may, at the discretion of UPP, also be made available to the Secured Creditor Representative of each Issuer Secured Creditor and the Secured Credit Representative of the Issuer, in each case upon request.

3.5 The form of the supplemental deed effecting such changes is attached as Schedule 3 (the **Tax Deed of Novation and Variation**).

*Waiver of the existing subordinated shareholder debt*

3.6 The waiver by UPP Bond 1 Limited (as ParentCo) of the existing subordinated shareholder debt is restricted pursuant to Schedule 7, Part 1, Paragraph 10 and Schedule 7, Part 2, Paragraph 7 of the Common Terms Agreement unless it is:

- (a) done with the prior written consent of the Issuer Security Trustee; and
- (b) a Permitted Disposal.

3.7 Consent of the Issuer Security Trustee is also required as a result of the Intra-Group Debt Documents being Assigned Agreements for the purpose of the AssetCo Debentures and the ParentCo Debenture.

3.8 The consent of the Issuer Security Trustee for the purpose of paragraphs 3.6(a) and 3.7 above, and the waiver of the restriction referred to in paragraph 3.6(b) above, is requested by means of this Proposal Request.

*Dividends and upstream loans*

3.9 Cash extraction from the AssetCos to HoldCo is permitted pursuant to the Transaction Documents, subject to compliance with the provisions set out in Schedule 14, Part 1, Paragraph 12 of the Common Terms Agreement.

3.10 It is proposed that any such cash extraction will only be made in compliance with these provisions and so no amendments or waivers are being requested in respect of these.

*Requested Consents*

3.11 The entry into the Tax Deed of Novation and Variation and the consent and waiver for the purpose of paragraph 3.8 above are referred to in this Proposal Request as the **Requested Consents**.

3.12 We confirm that, other than the Requested Consents, the Proposed Changes do not require any modification of the Transaction Documents or any consent or waiver of any parties to the Transaction Documents.

#### **4 Basis for Issuer Security Trustee Consent to the Requested Consents**

- 4.1 Schedule 2, Part 3, Paragraph 1.1.2 of the Issuer Deed of Charge provides that the Group Agent shall be entitled to request that the Issuer Security Trustee concurs in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.
- 4.2 It is our view that this Proposal Request would be treated as an Extraordinary Voting Matter. However, on the basis that the Requested Consents each also involve amendments, waivers or consents in respect of, or related to, AssetCo Documents, they are each also AssetCo Monitored Activities. As such:
- (a) an MA Proposal Request in the form set out in Schedule 5 (the **MA Proposal Request**) has, on the date of this Proposal Request, been sent to the Monitoring Adviser; and
  - (b) the voting and direction arrangements in respect of the Requested Consents shall be modified pursuant to, and in accordance with, Schedule 2 of the Monitoring Services Agreement.
- 4.3 Notwithstanding the fact that the Requested Consents are each AssetCo Monitored Activities and that the voting and direction arrangements in respect thereof are to be modified pursuant to the Monitoring Services Agreement, the Group Agent believes that consent should also separately be sought from each Affected Issuer Secured Creditor in respect of the Intra Group Debt Waiver on the basis of, and subject to, paragraphs 4.5 to 4.7 below.
- 4.4 As AssetCo Monitored Activities which constitute an ISC Direction Matter, the Requested Consents require at least 25 per cent. of the Qualifying Issuer Senior Debt to vote and for Majority Creditor votes (being, in respect of Qualifying Issuer Secured Creditors, more than 50 per cent. of the Voted Qualifying Debt) to be cast in favour of the MA Proposal Request in aggregate. In addition, as the Requested Consents comprise an Entrenched Right (as further referred to in paragraphs 4.5 to 4.7 below), consent of those Affected Issuer Secured Creditors who are Noteholders must be obtained in the manner described in Schedule 4 (*Provisions for Meetings of Noteholders*) of the Note Trust Deed. In summary, this requires a vote in favour of an Extraordinary Resolution (the text of which is set out in Schedule 6 hereto), by at least 75 per cent. of those Noteholders who are present or represented at a Noteholder meeting the quorum for which is two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes.
- 4.5 The Intra Group Debt Waiver will result in the release of rights in respect of the Intra Group Debt from the security created pursuant to the AssetCo Debentures and the ParentCo Debenture and, as such, constitutes an Entrenched Right pursuant to limb (m) of the definition thereof.
- 4.6 Pursuant to the provisions of Schedule 2, Part 3, Paragraphs 4.5 and 5.1 of the Issuer Deed of Charge, with regard to Entrenched Rights, each Affected Issuer Secured Creditor must confirm its approval of the Intra Group Debt Waiver, provided that if any Affected Issuer Secured Creditor fails to respond within the Decision Period, it shall be deemed to have confirmed its approval.
- 4.7 As each Issuer Secured Creditor is a beneficiary of the security to be released upon the Intra Group Debt Waiver, each Issuer Secured Creditor shall be deemed to be an Affected Issuer Secured Creditor for the purpose of paragraph 4.6 above.

#### **5 Consent of other parties to the Tax Deed of Novation and Variation**

- 5.1 Each member of the UPP Group which is a party to the Tax Deed of Novation and Variation has agreed to execute and deliver the Tax Deed of Novation and Variation.

- 5.2 In respect of other entities which are parties to the Tax Deed of Novation and Variation, pursuant to Schedule 2, Part 3, Paragraph 2.7.1 of the Issuer Deed of Charge, subject to the consent of the Issuer Security Trustee the Issuer Security Trustee is authorised by such entities (also being parties to the Issuer Deed of Charge) to execute and deliver the Tax Deed of Novation and Variation.

## 6 Supporting Evidence

- 6.1 In support of the Requested Consents, we:
- (a) have received the advice of independent tax experts in the form of a report confirming that no negative tax implications will arise as a result of the Proposed Changes (a copy of which has been provided to the Monitoring Adviser for the purpose of advising the Issuer Security Trustee) (the **Independent Tax Report**); and
  - (b) attach the tax computations and output showing this impact on ADSCR ratios pre and post REIT conversion from the revised audited model at Schedule 4.
- 6.2 The Independent Tax Report may be made available to the Secured Creditor Representative of each Issuer Secured Creditor and the Secured Credit Representative of the Issuer, subject to the entry into a hold harmless letter in the form required by the author thereof.
- 6.3 Impending changes to United Kingdom tax legislation will (if no conversion to REIT status occurs) very significantly affect the tax position of the AssetCos. Those changes (which are explained in detail in the Independent Tax Report) are:
- (a) the likely restriction on tax relief for interest and financing costs associated with the Intra Group Debt; and
  - (b) particularly, limitations on use of existing brought forward losses.

Taken together (and assuming the changes are introduced as announced), UPP has modelled and calculated that (absent the REIT conversion) significant amounts of corporation tax will become payable for each year, commencing with the financial period commencing 1st September 2018. This compares to the original financial models prepared at the time of issue of Bonds that projected that the AssetCos would not become tax paying at all for a considerable number of years (due to the prior availability of such financing costs and brought forward losses). Conversely, as referred to above, conversion to REIT status would mean that the AssetCos will become exempt from tax on their rental income, meaning a reduction/saving of tax originally modelled (at time of issue of the Bonds) as being payable in later years. This is illustrated in the tax computations and output from the revised model set out in Schedule 4.

- 6.4 With respect to limb (m) of the definition of Entrenched Rights, this covers matters which change or release or have the effect of changing or releasing any of the Issuer Obligor Security or the AssetCo Security other than as permitted by the Transaction Document. Although, the Requested Consents include the waiver of ParentCo's rights under the Intra-Group Debt Documents which are rights which have been assigned under the ParentCo Debenture, and therefore form part of the Issuer Obligor Security, when considered together with the corresponding release of the AssetCos' liability with respect to such Intra-Group Debt Documents (and therefore the increase in their assets subject to the security granted by them pursuant to their respective AssetCo Debentures), we do not believe that this results in a commercial or economic change in the security as a whole from the perspective of the Issuer Secured Creditors as the ultimate beneficiaries of both the Issuer Obligor Security and the AssetCo Security.

**7 Request of the Issuer Security Trustee**

7.1 We hereby request that the Issuer Security Trustee promptly (and in any event within 5 Business Days of the date of this Proposal Request) sends an ISC Voting Request to each Issuer Secured Creditor (through its Secured Creditor Representative, including to each Secured Creditor Representative of the Issuer on behalf of the Issuer Secured Creditors) in accordance with Schedule 2, Part 3, Paragraph 1.7 of the Issuer Deed of Charge (and pursuant to Schedule 2, Paragraph 5 of the Monitoring Services Agreement) and, subject to receipt of the consents referred to in the MA Proposal Request and paragraph 4.6 above:

- (a) consents to the Requested Consents by signing and returning the enclosed copy of this Proposal Request; and
- (b) enters into the Tax Deed of Novation and Variation.

7.2 We shall be grateful for your response to this Proposal Request no later than 24th February, 2018 (such period being the relevant "Decision Period").

Yours faithfully

.....  
Director  
**UPP Bond 1 Limited**  
(as Group Agent

**Acknowledgement and agreement of the Issuer Security Trustee:**

In accordance with the consents and directions received in accordance with the MA Proposal Request and paragraph 4.6 above, we hereby consent to the Requested Consents and agree to enter into the Tax Deed of Novation and Variation.

Dated:

By:

For and on behalf of:

**U.S. Bank Trustees Limited**

(as Issuer Security Trustee)

## Schedule 1

### Secured Credit Representative of each Issuer Secured Creditor and the Secured Creditor Representative of the Issuer

- 1 In respect of the Issuer Note Trustee and the holders of the Notes, the Issuer Note Trustee:

U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR

Attention: Structured Finance Relationship Manager  
Fax: 0207 365 2577

- 2 In respect of the Issuer Hedge Agreements, the respective Issuer Hedge Counterparty:

Mitsubishi UFJ Securities International PLC  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ

Email: legal@int.sc.mufg.jp; dsg-pf@int.sc.mufg.jp

Royal Bank of Canada, London Branch  
2nd Floor, Royal Bank Plaza  
200 Bay Street  
Toronto  
Ontario  
Canada M5J 2W7

Attention: Managing Director, GRM Trading Credit Risk  
Fax: (416) 842 4334

UBS AG  
100 Liverpool Street  
London EC2M 2RH

Attention: Documentation Unit/Legal Department  
Fax: 020 7567 4406; 020 7568 9257

- 3 In respect of the Account Bank Agreement, the Account Bank:

HSBC Bank plc  
London Central Corporate  
1st Floor, 70 Pall Mall  
London SW1Y 5EZ

Attention: Vaughan Tyrell/Chris Bedding/Patrick Modozenec

4 In respect of the Issuer Security Trustee, the Issuer Security Trustee:

U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR

Attention: Structured Finance Relationship Manager  
Fax: 0207 365 2577  
Email: mbs.relationship.management@usbank.com

5 In respect of each other Issuer Secured Creditor, the relevant Issuer Secured Creditor:

*Cash Administrator, Principal Paying Agent, Agent Bank, Transfer Agent and Calculation Agent*  
Elavon Financial Services Limited, acting through its UK Branch  
125 Old Broad Street  
London EC2N 1AR

Attention: Structured Finance Relationship Manager  
Fax: 0207 365 2577

*Registrar*

Elavon Financial Services Limited  
Block E  
Cherrywood Business Park  
Loughlinstown  
Dublin  
Ireland

Attention: Structured Finance Agency Services  
Fax: +353 (1) 6569442

*Monitoring Adviser*

Bishopsfield Capital Partners Limited  
200 Aldersgate  
London EC1A 4HD

Attention: Iain Barbour

*Issuer Corporate Officer Provider*

Intertrust Management Limited (formerly Structured Finance Management Limited)  
35 Great St Helen's  
London EC3A 6AP

6 In respect of the Issuer:

UPP Bond 1 Issuer plc  
40 Gracechurch Street  
London EC3V 0BT

Attention: Company Secretary



## Schedule 2

### REIT Conversion and UPP Group Reorganisation Steps

#### *Step 1*

The shareholders of Student UK TopCo Limited (the **Shareholders** and the **Retiring TopCo**, respectively) to incorporate UPP REIT Holdings Limited (the **New TopCo**), a company incorporated in Jersey but UK tax resident.

#### *Step 2*

Shareholder debt is extinguished by:

- (a) novation to Retiring TopCo of Student AcqCo Limited's obligations under the Shareholder debt, for a capital contribution by the Retiring TopCo to Student AcqCo Limited; and
- (b) release of Shareholder debt in consideration of an issue of ordinary shares of Retiring TopCo.

#### *Step 3*

The Shareholders subscribe for new ordinary shares in the New TopCo.

#### *Step 4*

The shares of the New TopCo are listed and admitted to trading on The International Stock Exchange.

#### *Step 5*

The New TopCo is inserted on top of the UPP Group by way of a share for share exchange, under which New TopCo issues shares to the Shareholders in return for the acquisition by New TopCo of shares in the Retiring TopCo.

#### *Steps 6 to 8*

Release of asset company sub-debts for the following groups of companies:

- (a) asset companies financed by UPP Bond 1 Limited;
- (b) asset companies which are wholly owned by the UPP Group; and
- (c) asset companies which are jointly owned by universities.

Future cash extraction will be effected by way of dividend payments and upstream loans.

#### *Step 9*

The Retiring TopCo and Student AcqCo Limited are side-lined in the UPP Group structure by distribution of in specie of all the shares of UPP Group Holdings Limited (a) first, by Student AcqCo Limited to the Retiring TopCo and (b) second, by the Retiring TopCo to the New TopCo.

Thus UPP Group Holdings Limited (and, below it, the remainder of the UPP Group companies) will become a direct subsidiary of New TopCo, and Retiring TopCo and Student AcqCo Limited (now owning no subsidiary companies) and 'side-lined' as separate subsidiaries of New TopCo.

**Schedule 3**

**Tax Deed of Novation and Variation**

**Dated**

**2018**

**UPP BOND 1 ISSUER PLC  
(as Issuer)**

**UPP (ALCUIN) LIMITED; UPP (BROADGATE PARK) HOLDINGS LIMITED;  
UPP (BROADGATE PARK) LIMITED; UPP (NOTTINGHAM) LIMITED  
UPP (KENT STUDENT ACCOMMODATION) LIMITED; UPP (OXFORD BROOKES)  
LIMITED AND UPP (PLYMOUTH THREE) LIMITED  
(as Original AssetCos)**

**UPP (EXETER) LIMITED  
(as Exeter)**

**UPP BOND 1 LIMITED  
(as ParentCo)**

**UPP BOND 1 HOLDINGS LIMITED  
(as HoldCo)**

**UPP (YORK) LIMITED; UPP (PLYMOUTH) LIMITED;  
UPP (PLYMOUTH TWO) LIMITED AND UPP JAMES SQUARE PLYMOUTH LIMITED  
(as Transferors)**

**UPP GROUP LIMITED  
(as Sponsor)**

**STUDENT UK TOPCO LIMITED  
(as Retiring Ultimate Parent)**

**UPP REIT HOLDINGS LIMITED  
(as New Ultimate Parent)**

**U.S. BANK TRUSTEES LIMITED  
(as AssetCo Security Trustee)**

**and**

**U.S. BANK TRUSTEES LIMITED  
(as Issuer Security Trustee and Issuer Note Trustee)**

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**DEED OF NOVATION AND  
VARIATION  
(TAX DEED OF COVENANT)**

---

**Between**

- (1) **UPP BOND 1 ISSUER PLC**, a public limited company incorporated in England and Wales with registered number 8255980 whose registered office is at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT ("**Issuer**");
- (2) **UPP (ALCUIN) LIMITED, UPP (BROADGATE PARK) HOLDINGS LIMITED, UPP (BROADGATE PARK) LIMITED, UPP (KENT STUDENT ACCOMMODATION) LIMITED, UPP (NOTTINGHAM) LIMITED, UPP (OXFORD BROOKES) LIMITED and UPP (PLYMOUTH THREE) LIMITED**, each a private limited company incorporated in England and Wales with (respectively) registered numbers 06077462, 04647273, 04647260, 05991255, 04288837, 04116192, 05016132 whose registered offices are at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT (together the "**Original AssetCos**");
- (3) **UPP (EXETER) LIMITED**, a private limited company incorporated in England and Wales with registered number 06885967 and whose registered office is at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT ("**Exeter**" and, together with the Original AssetCos, the "**AssetCos**");
- (4) **UPP BOND 1 LIMITED**, a private limited company incorporated in England and Wales with registered number 8255705 whose registered office is at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT ("**ParentCo**" and together with Issuer and the AssetCos, the "**Obligors**" and each an "**Obligor**");
- (5) **UPP BOND 1 HOLDINGS LIMITED**, a private limited company incorporated in England and Wales with registered number 8253967 whose registered office is at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT ("**HoldCo**");
- (6) **UPP (YORK) LIMITED, UPP (PLYMOUTH) LIMITED, UPP (PLYMOUTH TWO) LIMITED and UPP JAMES SQUARE PLYMOUTH LIMITED** (the "**Transferors**" and each a "**Transferor**"), each a private limited company incorporated in England and Wales with (respectively) registered numbers 04116165, 03452420, 03907556, 05733101 whose registered offices are at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT;
- (7) **UPP GROUP LIMITED**, a private limited company incorporated in England and Wales with registered number 06218832 whose registered office is at 40 Gracechurch Street, London, United Kingdom, EC3V 0BT ("**Sponsor**");
- (8) **STUDENT UK TOPCO LIMITED**, a private limited company incorporated in Jersey with registered number 109630 whose registered office is at Equity Trust House, 28-30 The Parade, St Helier, JE1 1EQ (the "**Retiring Ultimate Parent**");
- (9) **UPP REIT HOLDING LIMITED**, a private limited company incorporated in Jersey with registered number 123688 whose registered office is at 13 Castle Street, St Heliers, Jersey JE4 5UT (the "**New Ultimate Parent**"); and
- (10) **U.S. BANK TRUSTEES LIMITED**, a company incorporated in England and Wales with limited liability with registered number 02379632 whose registered office is at 125 Old Broad Street, London, EC2N 1AR, United Kingdom as security trustee for itself and on behalf of the other AssetCo Secured Creditors (in this capacity, the "**AssetCo Security Trustee**"), as security trustee for itself and on behalf of the other Issuer Secured Creditors (in this capacity, the "**Issuer Security Trustee**") and as issuer note trustee for the Noteholders, the Receiptholders and the

Couponholders (in this capacity, the "**Issuer Note Trustee**"), which expression shall include such person and all other persons for the time being acting as trustee or trustees pursuant to the AssetCo Security Documents, the Issuer Deed of Charge and the Note Trust Deed respectively;

### **Whereas**

- (A) This deed is supplemental to a Tax Deed of Covenant made between the parties to this Deed (save for the New Ultimate Parent) originally dated 5 March 2013 and amended and restated on 9 December 2014 (the "**Principal Agreement**").
- (B) The New Ultimate Parent is at the date of this Deed replacing the Retiring Ultimate Parent as the ultimate corporate parent company of the UPP Group and is entering into this Deed both pursuant to the provisions of clause 14 (Change of Control) of the Principal Agreement and to novate the existing and future rights, obligations and liabilities of the Retiring Ultimate Parent to the New Ultimate Parent.
- (C) Minor and technical amendments are additionally to be made to the Principal Agreement to reflect the making of a group REIT election that [is to be/has been] notified to HMRC under section 523 of CTA 2010 so as to convert certain [Obligors] to Real Estate Investment Trust (**REIT**) status and (ii) to adjust certain existing clauses (relating particularly to the use of losses), given changes made (since the date of the amended and restated Principal Agreement) to relevant UK tax legislation and the impact of the making of the UPP Group REIT Election.
- (D) The parties have agreed to modify the Principal Agreement in the manner set out below.

### **It is agreed**

- 1 Words and expressions defined in the Principal Agreement shall, unless the context otherwise requires, have the same meanings where used in this Deed.
- 2 From and including the date of this Deed:
  - (a) the Retiring Ultimate Parent shall transfer all its existing and future rights, obligations and liabilities under the Principal Agreement to the New Ultimate Parent;
  - (b) the Retiring Ultimate Parent and each other party under the Principal Agreement (each an **Original Party**) shall be released from all and any of their existing and future obligations and liabilities towards each other and their respective rights against one another under the Principal Agreement shall be cancelled (the **Discharged Rights and Obligations**);
  - (c) the New Ultimate Parent shall assume all existing and future obligations and liabilities towards each Original Party and acquire rights against each such Original Party identical in all respects to the Discharged Rights and Obligations; and
  - (d) each Original Party and the New Ultimate Parent (but, for the avoidance of doubt, other than the Retiring Ultimate Parent) shall be bound by and be subject to terms and conditions identical in all respects to those which, prior to the date of this Deed, each Original Party and the Retiring Ultimate Parent were bound by or subject to under or in connection with the Principal Agreement as if the New Ultimate Parent were the original party to the Principal Agreement in place of the Retiring Ultimate Parent.
- 3 Without prejudice to the generality of Clause 2, above:

- (a) the New Ultimate Parent undertakes to perform all obligations of the Ultimate Parent as set out in clause 13 and 14 of the Principal Agreement;
- (b) the New Ultimate Parent hereby indemnifies the AssetCo Security Trustee, the Issuer Security Trustee and the Issuer Note Trustee in respect of any previous liability of the Retiring Ultimate Parent under the Principal Agreement arising before the date of this Deed;
- (c) the AssetCo Security Trustee, the Issuer Security Trustee and the Issuer Note Trustee each agrees to release the Retiring Ultimate Parent, with immediate effect, from all of its obligations, whether in contract, tort or statute, at common law or equity and whether actual and/or contingent and, in each case, whether present or future and whether incurred alone or jointly or with any other person or persons and whether as principal or surety arising out of or in connection with or ancillary to the Principal Agreement; and
- (d) references to the Ultimate Parent in the Principal Agreement shall accordingly from the date of this Deed be construed as references to the New Ultimate Parent both in respect of statements made or things to be done (or not to be done) prior to and after the date of this Deed.

4 The parties agree that the Principal Agreement shall, with effect from the date of this Deed, be modified as follows.

- (a) the existing Clause 4.1.7 shall be deleted and replaced with the following:

*"Each of Parentco and Holdco shall be permitted to claim Group Relief from, or surrender Group Relief to, any other company in accordance with clauses 10.13 and 10.14 below;*

- (b) the following shall be inserted as new clauses 10.13 to 10.15 (and existing clause 10.13 'Group Relief Payments' shall be renumbered as 10.16, and so on):

*"10.13 For so long as a valid UPP Group REIT Election is in force (each, a **'REIT Accounting Period'**), then (for the avoidance of doubt) the restricting provisions as set out in the proviso to clause 4.1.7 above shall not apply, and each of ParentCo and HoldCo shall be entitled to make (or receive) surrenders by way of Group Relief as set out in clause 10.14 below.*

*10.14 Each or either of ParentCo or Holdco (as the case may be) shall (subject only to first having complied with their obligations to make or receive surrenders under the terms of clause 7.10) next be obliged:*

- (a) *to make any use of such losses (and regardless of whether they are Protected Losses or Other Losses, as the case may be) that can be made, applying the terms of clauses 10.7 to 10.9 and of 10.10(i) above, being such loss utilisation as would be required, if references to 'Assetcos' in clause 10.7 to 10.9, and in 10.10(i) were taken (in each case) to include a reference to each or any of an Assetco, ParentCo or Holdco (with the intent therefore that any available losses of HoldCo and / or ParentCo will, in each such REIT Accounting Period, always be required to be used, in priority, to shelter any eligible taxable profits of any of: an Assetco, of ParentCo and/or of HoldCo); but so that, subject to having first discharged this obligation (and also having complied with clause 7.10),*

(b) thereafter, as regards any surplus of available losses of ParentCo or Holdco for that REIT Accounting Period which cannot be utilised by any of the Assetcos, ParentCo or Holdco (and, for the avoidance of doubt, whether such losses comprise Protected Losses or Other Losses), then each or either of ParentCo and/or Holdco (as the case may be) may freely surrender the remaining balance of such losses to any other member of the UPP Group, in which case the terms as to payment for such losses shall be as set out in clause 10.15 below.

10.15 Where, as regards any REIT Accounting Period, any losses are surrendered (under the terms of indent (b) of 10.14 above) to a member of the UPP Group (other than an Assetco, ParentCo or HoldCo), each a '**Relevant 10.14(b) Surrender**', then the Claimant Company will pay to ParentCo or Holdco (as the case may be) from time to time an amount (or amounts) for each Relevant 10.14(b) Surrender on the same basis as is set out in clause 10.11 above";

(c) the reference, in clause 10.10.2(b), to 'clause 10.8 below' shall be amended to refer to 'clause 10.11 below'; and

(d) Clause 16 of the Principal Agreement shall be deleted and replaced with the following:

"16 **NOTIFICATION**

*If an Obligor, HoldCo, the Sponsor or the Ultimate Parent becomes aware that it will be unable to comply in full (or will not be required to comply in full) with any of its obligations as set out in clauses 2 through 15 inclusive above because of:*

(a) *the introduction of, or of any change in, or in the interpretation, application or administration of any law or regulation of any agency of any state or any supra-national federation or other similar organisation (a "**change of law**")*; or

(b) *compliance with such change in law, or*

(c) *any changes in the legislative or procedural requirements applicable to any of an Obligor, the Holdco or the Sponsor which arises in consequence of the amended taxation regime which will be applicable to the UPP Group following its conversion to a group REIT (a "**REIT Status Change**")*;

*it shall promptly notify the Trustees of this fact; and,*

*following any change of law or any REIT Status Change, as the case may be, will use all reasonable endeavours to enable it, insofar as it is able to do so given the change of law or the effects of the REIT Status Change, to satisfy its obligations as set out in clauses 2 through 15 inclusive above."*

5 The Principal Agreement, as varied by this Deed, shall remain in full force and effect.

6 A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

- 7 This Deed is governed by and shall be construed in accordance with English law and each party irrevocably submits to the exclusive jurisdiction of the English courts in relation to all matters (including non-contractual matters) arising out of or in connection with this Deed.
- 8 This Deed may be executed in any number of counterparts each of which when executed and delivered is an original, but all the counterparts together constitute the same document.
- 9 This Deed is delivered on the date written at the start of this Deed.

**Executed as a deed** by the parties or their duly authorised representatives and delivered on the date of this Deed.



**Executed by**

**Issuer**

**EXECUTED** as a **DEED** by  
**UPP BOND 1 ISSUER PLC**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (ALCUIN) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (BROADGATE PARK) HOLDINGS LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (BROADGATE PARK) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (KENT STUDENT ACCOMMODATION) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (NOTTINGHAM) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (OXFORD BROOKES) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (PLYMOUTH THREE) LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo**

**EXECUTED** as a **DEED** by  
**UPP (EXETER) LIMITED**  
acting by

Director:

Director/Company Secretary:

**ParentCo**

**EXECUTED** as a **DEED** by  
**UPP BOND 1 LIMITED**  
acting by

Director:

Director/Company Secretary:

**HoldCo**

**EXECUTED** as a **DEED** by  
**UPP BOND 1 HOLDINGS LIMITED**  
acting by

Director:

Director/Company Secretary:

**Transferor**

**EXECUTED** as a **DEED** by  
**UPP (YORK) LIMITED**  
acting by

Director:

Director/Company Secretary:

**Transferor**

**EXECUTED** as a **DEED** by  
**UPP (PLYMOUTH) LIMITED**  
acting by

Director:

Director/Company Secretary:

**Transferor**

**EXECUTED** as a **DEED** by  
**UPP (PLYMOUTH TWO) LIMITED**  
acting by

Director:

Director/Company Secretary:

**Transferor**

**EXECUTED** as a **DEED** by  
**UPP JAMES SQUARE PLYMOUTH LIMITED**  
acting by

Director:

Director/Company Secretary:

**Sponsor**

**EXECUTED** as a **DEED** by  
**UPP GROUP LIMITED**  
acting by

Director:

Director/Company Secretary:

**Retiring Ultimate Parent**

**EXECUTED** as a **DEED** by  
**STUDENT UK TOPCO LIMITED**  
acting by

Director:

Director/Company Secretary:

**New Ultimate Parent**

**EXECUTED** as a **DEED** by  
**UPP REIT HOLDINGS LIMITED**  
acting by

Director:

Director/Company Secretary:

**AssetCo Security Trustee**

**EXECUTED** as a **DEED** by  
**U.S. BANK TRUSTEES LIMITED**  
acting by

Duly authorised attorney:

Duly authorised attorney:

**Issuer Security Trustee**

**EXECUTED** as a **DEED** by  
**U.S. BANK TRUSTEES LIMITED**  
acting by

Duly authorised attorney:

Duly authorised attorney:

**Issuer Note Trustee**

**EXECUTED** as a **DEED** by  
**U.S. BANK TRUSTEES LIMITED**  
acting by

Duly authorised attorney:

Duly authorised attorney:

**Schedule 4**

**Tax Computations and Revised Model**

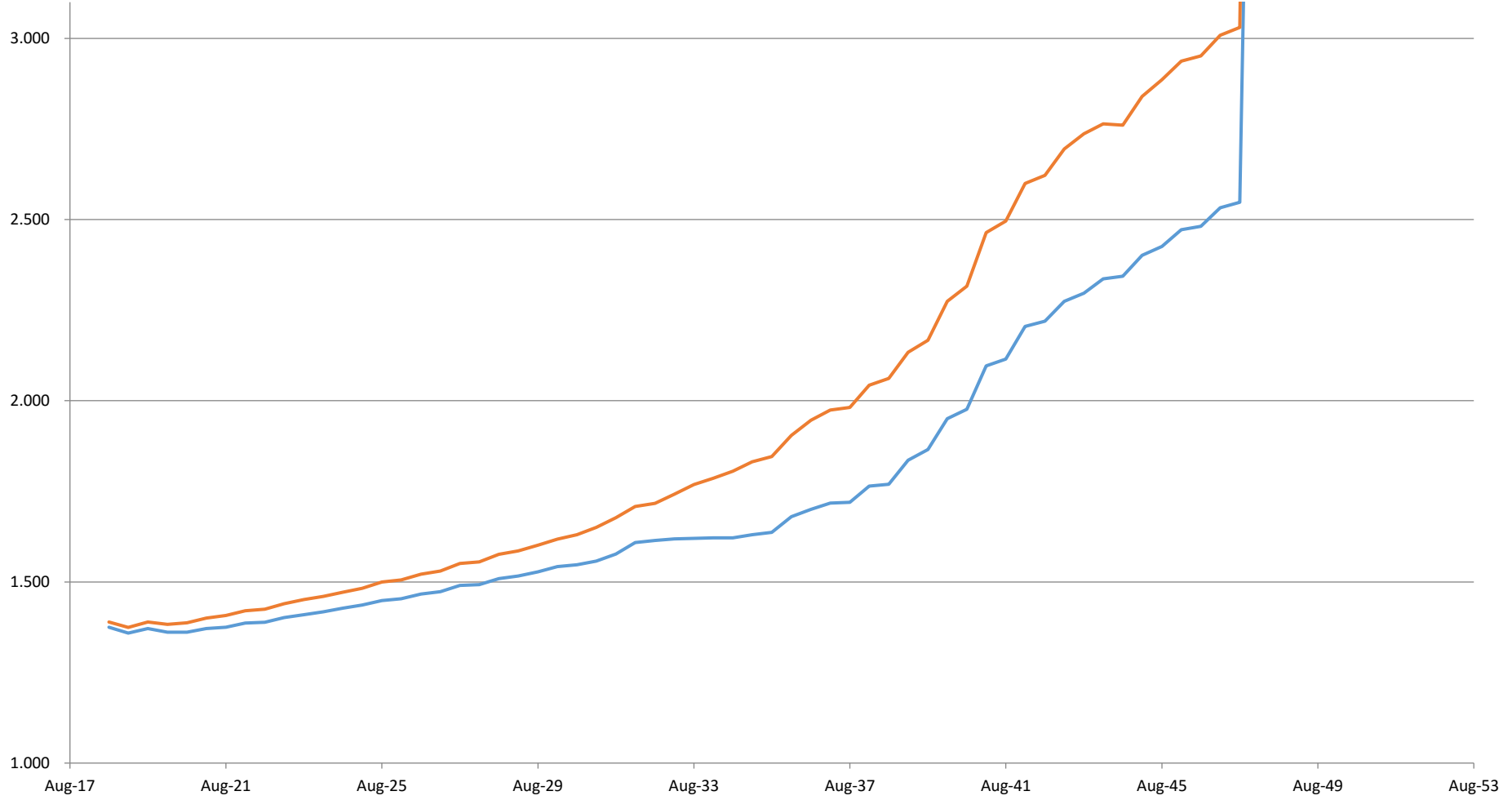






# ADSCR

Pre-REIT Post-REIT



**Schedule 5**  
**MA Proposal Request**

To: Bishopsfield Capital Partners Limited  
200 Aldersgate  
London EC1A 4HD

Attention: Iain Barbour

(the **Monitoring Adviser**)

and: U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR

Attention: Structured Finance Relationship Manager

(the **Issuer Security Trustee**)

10th January, 2018

Dear Sirs

**MA Proposal Request relating to the £5,000,000,000 Multicurrency Programme for the Issuance of Senior Secured Notes (Programme) of UPP Bond 1 plc (the Issuer)**

**1 Introduction**

1.1 We refer to:

- (a) the Issuer Deed of Charge dated 5th March, 2013 between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Issuer Deed of Charge**);
- (b) the Common Terms Agreement dated 5th March, 2013 between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Common Terms Agreement**);
- (c) the Tax Deed of Covenant dated 5th March, 2013 (as amended and restated on 9th December, 2014) between, *inter alios*, the Issuer and the Issuer Security Trustee (the **Tax Deed of Covenant**); and
- (d) the Monitoring Services Agreement dated 5th March, 2013 (as supplemented on 23rd December, 2013) between, *inter alios*, the Issuer, the Issuer Security Trustee and the Monitoring Adviser (the **Monitoring Services Agreement**).

1.2 This letter constitutes an "MA Proposal Request" for the purposes of the Monitoring Services Agreement.

1.3 Terms used but not otherwise defined in this MA Proposal Request shall have the meanings given to them in the Common Terms Agreement.

**2 REIT Conversion**

2.1 The UPP Group is proposing to convert to a UK Real Estate Investment Trust (REIT) on or around 28th February, 2018. The REIT structure has been promoted by the UK Government as an efficient vehicle for long term ownership of UK real estate interests.

- 2.2 The rationale for the REIT conversion is that it will make the project cash flows more resilient because the AssetCos will become exempt from corporation tax on their future property rental business profits, so that cash previously shown in the financial models as needed to pay corporation tax will, thereafter, no longer be payable to HM Revenue & Customs (**HMRC**) and will therefore become available to other stakeholders. Under the REIT rules, United Kingdom tax is, instead, charged, by way of withholding tax, on property income dividends paid by the REIT to its ultimate shareholders. It also mitigates the likely adverse longer term impact on cash flows from certain proposed changes to United Kingdom tax legislation.
- 2.3 Tax, accounting and legal advice has been obtained by UPP to establish that the UPP Group will satisfy the conditions of the UK REIT regime.
- 2.4 Conversion to a REIT does not require significant changes to the existing UPP Group structure. Written elections must be filed with HMRC, following which the property companies in the UPP Group (principally, the AssetCo companies) will become exempt from UK corporation tax on their property income and gains. This will obviously enhance the amounts of available free cash flow within those companies, to the benefit of all stakeholders.

### **3 Proposed Changes**

#### *General*

- 3.1 The principal changes (set out in more detail in Schedule 1) to be effected as part of the REIT conversion are, broadly:
- (a) the establishment of a new ultimate holding company (the **New TopCo**) to meet the specific REIT requirement for a listed parent (this is proposed rather than listing the existing group holding company on the basis that it will be easier for UPP to satisfy the relevant listing requirements) and, subsequently, the side-lining of Student UK TopCo Limited (as the Ultimate Parent, the **Retiring TopCo**). Please note, however, that no changes will be required to the structure of the Group;
  - (b) the waiver of the existing subordinated shareholder debt borrowed by each AssetCo, (i.e. the Intra-Group Debt) (the **Intra Group Debt Waiver**). For the avoidance of doubt, no amendments are required to the On-Loans; and
  - (c) consequent upon that, ensuring flexibility (within the relevant documents) to access future surplus cash of the project companies, by way of dividend or upstream loans,
- together, the **Proposed Changes**.

#### *Establishment of a new ultimate holding company and amendments to the Tax Deed of Covenant*

- 3.2 The establishment of a new ultimate holding company does not of itself require the consent of the Issuer Security Trustee or the Issuer Secured Creditors, though the Tax Deed of Covenant requires that, in such circumstances, the Retiring TopCo will procure that the New TopCo enter into a deed supplemental to the Tax Deed of Covenant pursuant to which the New TopCo will give the same representations, warranties and covenants as the Retiring TopCo has given in the Tax Deed of Covenant.
- 3.3 However, as the Retiring TopCo will no longer have any control over the Group, it is proposed that the Retiring TopCo is effectively released from all its obligations under the Tax Deed of Covenant by novating these to the New TopCo. This will require the consent of the Issuer Security Trustee.

- 3.4 Additional changes are also proposed to certain detailed provisions of the Tax Deed of Covenant, particularly in relation to loss surrenders. These amendments are to reflect the changed tax circumstances of the Assetcos post the REIT conversion (as described above), and certain changes resulting from recent UK tax legislation and will require the consent of the Issuer Security Trustee. An explanation of these changes, which are a necessary and integral feature of the REIT conversion, has been provided in a series of Questions and Answers prepared by UPP (a copy of which has been provided to the Monitoring Adviser for the purpose of advising the Issuer Security Trustee) (the **Loss Surrenders Q&As**). The Loss Surrenders Q&As may, at the discretion of UPP, also be made available to the Secured Creditor Representative of each Issuer Secured Creditor and the Secured Credit Representative of the Issuer, in each case upon request.
- 3.5 The form of the supplemental deed effecting such changes is attached as Schedule 2 (the **Tax Deed of Novation and Variation**).

*Waiver of the existing subordinated shareholder debt*

- 3.6 The waiver by UPP Bond 1 Limited (as ParentCo) of the existing subordinated shareholder debt is restricted pursuant to Schedule 7, Part 1, Paragraph 10 and Schedule 7, Part 2, Paragraph 7 of the Common Terms Agreement unless it is:
- (a) done with the prior written consent of the Issuer Security Trustee; and
  - (b) a Permitted Disposal.
- 3.7 Consent of the Issuer Security Trustee is also required as a result of the Intra-Group Debt Documents being Assigned Agreements for the purpose of the AssetCo Debentures and the ParentCo Debenture.
- 3.8 The consent of the Issuer Security Trustee for the purpose of paragraphs 3.6(a) and 3.7 above, and the waiver of the restriction referred to in paragraph 3.6(b) above, is requested by means of this MA Proposal Request.

*Dividends and upstream loans*

- 3.9 Cash extraction from the AssetCos to HoldCo is permitted pursuant to the Transaction Documents, subject to compliance with the provisions set out in Schedule 14, Part 1, Paragraph 12 of the Common Terms Agreement.
- 3.10 It is proposed that any such cash extraction will only be made in compliance with these provisions and so no amendments or waivers are being requested in respect of these.

*Requested Consents*

- 3.11 The entry into the Tax Deed of Novation and Variation and the consent and waiver for the purpose of paragraph 3.8 above are referred to in this MA Proposal Request as the **Requested Consents**.
- 3.12 We confirm that, other than the Requested Consents (including the consent to the Entrenched Right referred to in paragraph 4.5 below), the Proposed Changes do not require any modification of the Transaction Documents or any consent or waiver of any parties to the Transaction Documents.

#### **4 Basis for Issuer Security Trustee Consent to the Requested Consents**

4.1 Schedule 2, Part 3, Paragraph 1.1.2 of the Issuer Deed of Charge provides that the Group Agent shall be entitled to request that the Issuer Security Trustee concurs in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.

4.2 We confirm that:

- (a) the Requested Consents each involve amendments, waivers or consents in respect of, or related to, AssetCo Documents, and therefore constitute AssetCo Monitored Activities. As such the voting and direction arrangements in respect of the Requested Consents shall be modified pursuant to, and in accordance with, Schedule 2 of the Monitoring Services Agreement;
- (b) the Requested Consents constitute an Ordinary Matter; and
- (c) as the Intra Group Debt Waiver will result in the release of Issuer Obligor Security in respect of an AssetCo, it will, in our reasonable opinion, constitute an ISC Direction Matter pursuant to limb (b) of the definition thereof.

4.3 As AssetCo Monitored Activities which constitute an ISC Direction Matter, the Requested Consents require at least 25 per cent. of the Qualifying Issuer Senior Debt to vote and for Majority Creditor votes (being, in respect of Qualifying Issuer Secured Creditors, more than 50% of the Voted Qualifying Debt) to be cast in favour of this MA Proposal Request in aggregate. In addition, as the Requested Consents comprise an Entrenched Right (as further referred to in paragraphs 4.5 below), consent of those Affected Issuer Secured Creditors who are Noteholders must be obtained in the manner described in Schedule 4 (*Provisions for Meetings of Noteholders*) of the Note Trust Deed. In summary, this requires a vote in favour of an Extraordinary Resolution (the text of which will cover the substance of the Requested Consents and the relevant Entrenched Right), by at least 75 per cent. of those Noteholders who are present or represented at a Noteholder meeting, the quorum for which is two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes. The Noteholder meeting process will be run concurrently with this MA Proposal.

4.4 The current Qualifying Issuer Secured Creditors are the Noteholders acting through the Issuer Note Trustee.

4.5 Notwithstanding the fact that the Requested Consents are each AssetCo Monitored Activities and that the voting and direction arrangements in respect thereof are to be modified pursuant to the Monitoring Services Agreement, ParentCo (in its capacity as Group Agent) believes that the Intra Group Debt Waiver also constitutes an Entrenched Right. As such:

- (a) a Proposal Request in the form set out in Schedule 4 (the **Proposal Request**) has, on the date of this MA Proposal Request, been sent to the Issuer Security Trustee; and
- (b) consent is also separately being sought from each Affected Issuer Secured Creditor in accordance with the Proposal Request.

#### **5 Consent of other parties to the Tax Deed of Novation and Variation**

5.1 Each member of the UPP Group which is a party to the Tax Deed of Novation and Variation has agreed to execute and deliver the Tax Deed of Novation and Variation.

5.2 In respect of other entities which are parties to the Tax Deed of Novation and Variation, pursuant to Schedule 2, Part 3, Paragraph 2.7.1 of the Issuer Deed of Charge, subject to the consent of

the Issuer Security Trustee the Issuer Security Trustee is authorised by such entities (also being parties to the Issuer Deed of Charge) to execute and deliver the Tax Deed of Novation and Variation.

## 6 Supporting Evidence

6.1 In support of the Requested Consents, we:

- (a) have received the advice of independent tax experts in the form of a report confirming that no negative tax implications will arise as a result of the Proposed Changes (a copy of which has been provided to the Monitoring Adviser for the purpose of advising the Issuer Security Trustee) (the **Independent Tax Report**); and
- (b) attach the tax computations and output showing this impact on ADSCR ratios pre and post REIT conversion from the revised audited model at Schedule 3.

6.2 The Independent Tax Report may be made available to the Secured Creditor Representative of each Issuer Secured Creditor and the Secured Credit Representative of the Issuer, subject to the entry into a hold harmless letter in the form required by the author thereof.

6.3 Impending changes to United Kingdom tax legislation will (if no conversion to REIT status occurs) very significantly affect the tax position of the AssetCos. Those changes (which are explained in detail in the Independent Tax Report) are:

- (a) the likely restriction on tax relief for interest and financing costs associated with the Intra Group Debt; and
- (b) particularly, limitations on use of existing brought forward losses.

Taken together (and assuming the changes are introduced as announced), UPP has modelled and calculated that (absent the REIT conversion) significant amounts of corporation tax will become payable for each year, commencing with the financial period commencing 1st September 2018. This compares to the original financial models prepared at the time of issue of Bonds that projected that the AssetCos would not become tax paying at all for a considerable number of years (due to the prior availability of such financing costs and brought forward losses). Conversely, as referred to above, conversion to REIT status would mean that the AssetCos will become exempt from tax on their rental income, meaning a reduction/saving of tax originally modelled (at time of issue of the Bonds) as being payable in later years. This is illustrated in the tax computations and output from the revised model set out in Schedule 3.

6.4 With respect to limb (m) of the definition of Entrenched Rights, this covers matters which change or release or have the effect of changing or releasing any of the Issuer Obligor Security or the AssetCo Security other than as permitted by the Transaction Document. Although, the Requested Consents include the waiver of ParentCo's rights under the Intra-Group Debt Documents which are rights which have been assigned under the ParentCo Debenture, and therefore form part of the Issuer Obligor Security, when considered together with the corresponding release of the AssetCos' liability with respect to such Intra-Group Debt Documents (and therefore the increase in their assets subject to the security granted by them pursuant to their respective AssetCo Debentures), we do not believe that this results in a commercial or economic change in the security as a whole from the perspective of the Issuer Secured Creditors as the ultimate beneficiaries of both the Issuer Obligor Security and the AssetCo Security.



**7 Request of the Monitoring Adviser**

In order to align the processes for consents as referred to in this MA Proposal Request and the Proposal Request, we hereby request that the Monitoring Adviser:

(a) confirm that, in its reasonable opinion, the Requested Consents constitute an ISC Direction Matter; and

(b) provide its Monitoring Adviser Recommendation to the Issuer Security Trustee,

in each case not later than 12th January, 2018, notwithstanding the longer time periods provided for in Schedule 2, Paragraphs 2 and 3 of the Monitoring Services Agreement.

**8 Request of the Issuer Security Trustee**

8.1 We hereby request that the Issuer Security Trustee promptly (and in any event within 5 Business Days of the date of this Proposal Request) sends an ISC Voting Request to each Issuer Secured Creditor (through its Secured Creditor Representative, including to each Secured Creditor Representative of the Issuer on behalf of the Issuer Secured Creditors) in accordance with Schedule 2, Paragraph 5 of the Monitoring Services Agreement (and pursuant to Schedule 2, Part 3, Paragraph 1.7 of the Issuer Deed of Charge) and, subject to receipt of the consents referred to in the Proposal Request and paragraph 4.3 above:

(a) consents to the Requested Consents by signing and returning the enclosed copy of this MA Proposal Request; and

(b) enters into the Tax Deed of Novation and Variation.

8.2 We shall be grateful for your response to this Proposal Request no later than 24th February, 2018 (such period being the relevant "Decision Period").

Yours faithfully

.....  
Director  
**UPP Bond 1 Limited**  
(as ParentCo)

**Acknowledgement and agreement of the Issuer Security Trustee:**

In accordance with the consents and directions received in accordance with the Proposal Request and paragraph 4.3 above, we hereby consent to the Requested Consents and agree to take all other steps, do all other things and enter into all other documents as may be reasonably required to implement the Proposed Changes and/or the Requested Consents (including, without limitation, the Tax Deed of Novation and Variation).

Dated:

By:

For and on behalf of:

**U.S. Bank Trustees Limited**  
(as Issuer Security Trustee)

## Schedule 1

### REIT Conversion and UPP Group Reorganisation Steps

#### *Step 1*

The shareholders of Student UK TopCo Limited (the **Shareholders** and the **Retiring TopCo**, respectively) to incorporate UPP REIT Holdings Limited (the **New TopCo**), a company incorporated in Jersey but UK tax resident.

#### *Step 2*

Shareholder debt is extinguished by:

- (a) novation to Retiring TopCo of Student AcqCo Limited's obligations under the Shareholder debt, for a capital contribution by the Retiring TopCo to Student AcqCo Limited; and
- (b) release of Shareholder debt in consideration of an issue of ordinary shares of Retiring TopCo.

#### *Step 3*

The Shareholders subscribe for new ordinary shares in the New TopCo.

#### *Step 4*

The shares of the New TopCo are listed and admitted to trading on The International Stock Exchange.

#### *Step 5*

The New TopCo is inserted on top of the UPP Group by way of a share for share exchange, under which New TopCo issues shares to the Shareholders in return for the acquisition by New TopCo of shares in the Retiring TopCo.

#### *Steps 6 to 8*

Release of asset company sub-debts for the following groups of companies:

- (a) asset companies financed by UPP Bond 1 Limited;
- (b) asset companies which are wholly owned by the UPP Group; and
- (c) asset companies which are jointly owned by universities.

Future cash extraction will be effected by way of dividend payments and upstream loans.

#### *Step 9*

The Retiring TopCo and Student AcqCo Limited are side-lined in the UPP Group structure by distribution of in specie of all the shares of UPP Group Holdings Limited (a) first, by Student AcqCo Limited to the Retiring TopCo and (b) second, by the Retiring TopCo to the New TopCo.

Thus UPP Group Holdings Limited (and, below it, the remainder of the UPP Group companies) will become a direct subsidiary of New TopCo, and Retiring TopCo and Student AcqCo Limited (now owning no subsidiary companies) and 'side-lined' as separate subsidiaries of New TopCo.

**Schedule 2**

**Tax Deed of Novation and Variation**

**Schedule 3**

**Tax Computations and Revised Model**

**Schedule 4**  
**Proposal Request**

## Schedule 6

### Form of Extraordinary Resolution

THAT this Meeting of the holders (the **Noteholders**) of:

- (i) £307,100,000 Amortising Fixed Rate Index-Linked Senior Secured Notes due 2040;
- (ii) £75,000,000 Amortising RPI Index-Linked Senior Secured Notes due 2047; and
- iii) £149,700,000 Amortising 1.037% RPI Index-Linked Notes due 31 August 2049,

(together, the **Notes**) in each case of UPP Bond Issuer 1 plc (the **Issuer**) constituted by the Note Trust Deed dated 5th March, 2013 made between the Issuer and U.S. Bank Trustees Limited (in its capacity as the **Issuer Note Trustee**) (the **Note Trust Deed**) hereby passes the following as an Extraordinary Resolution:

- (a) that the Issuer Note Trustee, in its capacity as Secured Creditor Representative of the Noteholders, be authorised, directed, requested and empowered, with effect on and from the date of the Meeting, to notify U.S. Bank Trustees Limited in its capacity as Issuer Security Trustee (the **Issuer Security Trustee**) that the Noteholders approve the Proposal Request for the purposes of Clause 5.1 (*Scope of Entrenched Rights*) of Part C of Schedule 2 to the Issuer Deed of Charge;
- (b) that the Issuer Note Trustee, in its capacity as Secured Creditor Representative of the Noteholders, be authorised, directed, requested and empowered, with effect on and from the date of the Meeting, to vote as the Secured Creditor Representative of the Issuer in respect of the Proposal Request (which, for the avoidance of doubt, shall include voting for or against the MA Proposal appended thereto for the purposes of Paragraph 7 (*ISC Direction Matter*) of Schedule 2 to the Monitoring Services Agreement) by dividing votes cast in respect of each relevant series between those votes cast in favour and those votes cast against the Proposal Request on a pound for pound basis in order that such votes may be aggregated by the Issuer Security Trustee with the votes cast for and against the Proposal Request by other Qualifying Issuer Secured Creditors (if any);
- (c) that the Issuer Note Trustee be authorised, directed, requested and empowered, in order to give effect to the agreements, consents, waivers, modifications, actions, instructions and steps contemplated in, or in relation to or in connection with, the Proposal Request and the MA Proposal Request to consent and/or concur with respect to any item or thing, execute any document and/or take any other action (and instruct all other relevant persons to do the same) that is necessary or advisable and to effect all such other transactions, deeds, instruments, acts and things as may be necessary, desirable or expedient, in the sole discretion of the Issuer Note Trustee, to carry out and give effect to and to implement the Extraordinary Resolution, the Proposal Request and MA Proposal Request;
- (d) that the Issuer Note Trustee shall be discharged, indemnified and exonerated from all liability in respect of any act or omission for which the Issuer Note Trustee may have become responsible under the Note Trust Deed, any other Transaction Document or otherwise, in connection with the Extraordinary Resolution or its implementation, even though it may be subsequently found that there is a defect in the passing of the Extraordinary Resolution or, that for any reason, the Extraordinary Resolution is not valid or binding on the Noteholders; and

- (e) that the Noteholders waive (and authorise and instruct the Issuer Note Trustee to waive) any and all formalities, requirements, restrictions or conditions precedent set forth in the Transaction Documents on any person relating to the Extraordinary Resolution or its implementation (including, for the avoidance of doubt, any requirement to obtain legal opinions in connection therewith).

The resolutions set out above constitute a single Extraordinary Resolution of the Noteholders and by casting votes in favour or against such resolutions each such holder shall be deemed to have voted in favour or, as the case may be, against the Extraordinary Resolution in its entirety.