BISHOPSFIELD
CAPITAL PARTNERS

13 October 2017

US Bank Trustees Limited

(in its capacity as Issuer Security Trustee)

125 Old Broad Street

London EC2N 1AR

Attention: Structured Finance Relationship Management

Delivered by email to: laurence.griffiths@usbank.com

Copy to: **UPP Bond 1 Issuer plc**

40 Gracechurch Street

London EC3V 0BT

Attention: Company Secretary

Delivered by email to: Julian.benkel@upp.ltd.com

Dear Sirs

UPP Bond 1 Limited ("ParentCo") proposal for various consents related to the UPP group's contemplated REIT conversion (BCP Ref.: UPP Waiver 15)

Monitoring Adviser Recommendation

We refer to UPP Bond 1 Limited's MA Proposal Request dated 9 October 2017 (copy attached for ease of reference) addressed to yourselves and ourselves as the Monitoring Adviser (the "**MA Proposal Request**"), pursuant to the terms of the Monitoring Services Agreement dated 5 March 2013 (the "**MSA**") and our Category Determination dated 11 October 2017 (copy attached for ease of reference).

Terms defined in the Common Terms Agreement (the "**CTA**") dated 5 March 2013 between, amongst others, the Issuer and the Issuer Security Trustee shall have the same meaning in this Monitoring Adviser Recommendation, unless specified as being defined elsewhere.

Bishopsfield Capital Partners Ltd
200 Aldersgate
1st Floor
London EC1A 4HD
United Kingdom

Email: info@bishopsfieldcapital.com
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Bishopsfield Capital Partners Ltd is authorised and regulated by the Financial Conduct Authority

Bishopsfield Capital Partners is a Limited Company registered in England, company number 7276948

The Monitoring Adviser has prepared this Monitoring Adviser Recommendation based upon information received by the Monitoring Adviser from the Issuer and ParentCo. This Monitoring Adviser Recommendation has not been prepared on the basis of any information that has been identified as Inside Information. The Monitoring Adviser has no responsibility for the adequacy or accuracy of any of the information or documentation provided to it in connection with the services provided by it under the MSA and the Monitoring Adviser may act on the opinion or advice of, or a certificate or any information from, advisers or experts. In preparing this Monitoring Adviser Recommendation the Monitoring Adviser has performed only those services it is obliged to carry out in accordance with the Monitoring Services Agreement and has done so in accordance with the Monitoring Standard. The Monitoring Adviser is not a fiduciary and is not liable for any loss, liability, claim, expense or damage suffered or incurred by any holders of Securities, any other Issuer Secured Creditor, the Issuer, the ParentCo, any AssetCo or any other transaction party with respect to the performance of its obligations under the Monitoring Services Agreement or the Issuer Deed of Charge, save for any loss suffered by the holders of Securities resulting from its fraud, gross negligence or wilful default.

The Monitoring Adviser makes no representation or warranty, express or implied, that the documentation and opinions referred to herein, or the information contained or the assumptions on which they are based are accurate, complete or up-to-date in each case other than the opinions of the Monitoring Adviser as at the date of this Monitoring Adviser Recommendation based upon such information. The Monitoring Adviser has no obligation to update any such opinions other than in accordance with its obligations under the Monitoring Services Agreement.

This Monitoring Adviser Recommendation is not a recommendation or inducement to buy, sell or hold any securities (including those issued by the Issuer).

Pursuant to Paragraph 3 (*Monitoring Adviser Recommendation*) and Paragraph 7 (*ISC Direction Matter*) of Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) of the MSA it is our Monitoring Adviser Recommendation that the Issuer Secured Creditors approve the Requested Consents (as defined in the MA Proposal Request) subject to:

- The Tax Deed of Novation and Variation executed between, inter alia, UPP Bond 1 Issuer plc and U.S. Bank Trustees Limited being materially consistent with the draft Tax Deed of Novation and Variation provided as Schedule 2 to the MA Proposal Request. A copy of the signed Tax Deed of Novation and Variation is to be provided to the Monitoring Adviser and the Issuer Security Trustee for their records.
- ParentCo providing the Monitoring Adviser with all materials requested so that required 'Know your Client' analysis may be performed on the new group legal and governance structure.
- Provision of the Independent Tax Report in final form that is consistent in all material respects to that provided in draft form and dated 29 August 2017.
- ParentCo representing to the Issuer Secured Creditors that no refinancing gain arises for any party from the REIT conversion.
- ParentCo providing to the Monitoring Adviser the new financial model (the "New Financial Model") referenced in Paragraph 6.1 (b) of the MA Proposal Request, complete with a copy of a model auditor's report (in a form acceptable to the Monitoring Adviser and addressed to the Issuer Secured Creditors with respect to reliance in relation to such report). The New Financial

Model will, we understand, replace the Financial Model (as defined in the CTA) for the purposes of monitoring financial compliance under the terms of the transaction.

- Each AssetCo repeating the representations made in Paragraph 31 (Financial Model) of Schedule 5 (AssetCo Representations and Warranties) of the CTA (in a letter acceptable to the Monitoring Adviser) in relation to the New Financial Model. This representation letter is to become a Finance Document.
- Compliance with all relevant provisions of the Finance Documents and the Project Documents, including providing all notifications required therein.
- Consent being granted by the Affected Issuer Secured Creditors to the Proposal Request included as Schedule 4 to the MA Proposal Request dated 9 October 2017.
- Completion of all steps identified in the MA Proposal Request and the Independent Tax Report to convert the UPP group into a Real Estate Investment Trust as described in the MA Proposal Request and related documents.

In considering making our Monitoring Adviser Recommendation a risk was identified relating to the compensation on termination provisions were a force majeure event to arise. In such a scenario, the compensation payable by the relevant University would, in respect of the Exeter and/or the Oxford Brookes AssetCos, as a result of the extinguishing of the relevant sub-debt (as is contemplated for the purpose of the conversion of the UPP group to a Real Estate Investment Trust), be reduced by the amount of sub-debt that would have otherwise been outstanding against these two AssetCos. Whilst we do not expect that the compensation amount related to the extinguished sub-debt should be required to redeem the relevant senior debt in relation to either of these two Assetcos, the sub-debt related compensation payable (that is no longer available as a result of this consent being granted) would no longer be available to meet any debt service shortfall arising elsewhere across the bond group.

The risk is mitigated by:

- The extreme nature of a force majeure event and the need for such force majeure event to then impact upon the performance of the relevant project agreements. Force majeure is defined narrowly including war, terrorism, nuclear or chemical contamination.
- The diversity of the AssetCo portfolio both at the AssetCo (where each AssetCo's Relevant Properties comprise several buildings) and the group level (there are presently seven AssetCo's whose Relevant Properties are located in six cities in the UK).
- The cross-support arrangements between each AssetCo; debt is serviced at the group level using the cash generated across all AssetCos.

The reasons for our Monitoring Adviser Recommendation are that the REIT conversion is not expected to materially adversely affect the interests of the Issuer Secured Creditors. We note the reasons for the Requested Consents provided by ParentCo within the MA Proposal Request and, in making this Monitoring Adviser Recommendation, highlight:

- The AssetCos are forecast to generate materially greater cash flow available for debt service as a result of not being liable to corporation tax under the prospective Base Erosion and Profit Sharing ("BEPS") environment;
- The Independent Tax Report which confirms that there are no negative tax implications arising from the proposed changes;

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- The advice provided by Clifford Chance to ourselves relative to legal considerations arising in relation to the Requested Consents; this advice provides comfort relative to ParentCo's interpretation of the documents, and, in particular, relative to the termination compensation provisions in the event of a force majeure event occuring.

For the avoidance of doubt, this Monitoring Adviser Recommendation relates solely to the Requested Consents outlined in the MA Proposal Request and not any other consents which are the subject of the Proposal Request submitted concurrently.

Yours sincerely,

For and on behalf of Bishopsfield Capital Partners Ltd, as Monitoring Adviser

Authorised Signatory

Authorised Signatory

ME Nawas

Encl.

- MA Proposal Request dated 9 October 2017 (including attachments)
- Category Determination dated 11 October 2017

BISHOPSFIELD
CAPITAL PARTNERS

11 October 2017

US Bank Trustees Limited

(in its capacity as Issuer Security Trustee)

125 Old Broad Street

London EC2N 1AR

Attention: Structured Finance Relationship Management

Delivered by email to: laurence.griffiths@usbank.com

Copy to: **UPP Bond 1 Issuer plc**

40 Gracechurch Street

London EC3V 0BT

Attention: Company Secretary

Delivered by email to: Julian.benkel@upp.ltd.com

Dear Sirs

UPP Bond 1 Limited ("ParentCo") proposal for various consents related to the UPP group's contemplated REIT conversion (BCP Ref.: UPP Waiver 15)

Category Determination

We refer to the Issuer's MA Proposal Request dated 9 October 2017, (copy attached for ease of reference) addressed to yourselves and ourselves as the Monitoring Adviser (the "**MA Proposal Request**"), pursuant to the terms of the Monitoring Services Agreement dated 5 March 2013 (the "**MSA**").

Terms defined in the Common Terms Agreement dated 5 March 2013 between, amongst others, the Issuer and the Issuer Security Trustee shall have the same meaning in this Category Determination, unless specified as being defined elsewhere or in the MA Proposal Request.

The Monitoring Adviser has prepared this Category Determination based upon information received by the Monitoring Adviser from the Issuer and ParentCo. This Category Determination has not been prepared on the basis of any information that has been identified as Inside Information. The Monitoring Adviser has no responsibility for the adequacy or accuracy of any of the information or documentation provided to it in connection with the services provided by it under the MSA and the Monitoring Adviser may act on the opinion or advice of, or a certificate or any information from, advisers or experts. In preparing this Category Determination the Monitoring Adviser has performed only those services it is obliged to carry out in accordance with the Monitoring Services Agreement and has done so in accordance with the Monitoring Standard. The Monitoring Adviser is not a fiduciary and is not liable for any loss, liability, claim, expense or damage suffered or incurred by any holders of Securities, any other Issuer Secured Creditor, the Issuer, the ParentCo, any AssetCo or any other transaction party with respect to the performance of its obligations under the Monitoring Services Agreement or the Issuer Deed of Charge, save for any loss suffered by the holders of Securities resulting from its fraud, gross negligence or wilful default.

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Bishopsfield Capital Partners is a Limited Company registered in England, company number 7276948

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The Monitoring Adviser makes no representation or warranty, express or implied, that the documentation and opinions referred to herein, or the information contained or the assumptions on which they are based are accurate, complete or up-to-date in each case other than the opinions of the Monitoring Adviser as at the date of this Category Determination based upon such information. The Monitoring Adviser has no obligation to update any such opinions other than in accordance with its obligations under the Monitoring Services Agreement.

This Category Determination is not a recommendation or inducement to buy, sell or hold any securities (including those issued by the Issuer).

Pursuant to Paragraph 2 (*Category Determination*) of Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) of the MSA we confirm that, in our opinion, the MA Proposal Request relates to an ISC Direction Matter as proposed by the Issuer.

Yours sincerely,

For and on behalf of Bishopsfield Capital Partners Ltd, as Monitoring Adviser

Authorised Signatory

Authorised Signatory ME Nawaz

Encl.

- MA Proposal Request dated 9 October 2017

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www.upp-ltd.com

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**)

9th October, 2017

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 1st December, 2017. 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

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 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

3.5 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.

3.6 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.

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

Dividends and upstream loans

3.8 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.

3.9 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

3.10 The entry into the Tax Deed of Novation and Variation and the consent and waiver for the purpose of paragraph 3.7 above are referred to in this MA Proposal Request as the **Requested Consents**.

3.11 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 16th October, 2017, 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) enter into the Tax Deed of Novation and Variation.

8.2 We shall be grateful for your response to this Proposal Request no later than 23rd November, 2017 (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

ADDLESHAW GODDARD

Dated 2017

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)

[NEWCO] 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)

DEED OF NOVATION AND VARIATION (TAX DEED OF COVENANT)

This Deed of Novation and Variation is made on 2017

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 OBT (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 OBT ("**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 OBT ("**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 OBT ("**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 OBT;

(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 OBT ("**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) [**NEWCO LIMITED**], a private limited company incorporated in [Jersey] with registered number ♦ whose registered office is at ♦ (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 an 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.

(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:

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

16 **NOTIFICATION**

16.1 If an Obligor, HoldCo, the Sponsor or the Ultimate Parent becomes aware that it will be unable 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 change in the legislative [or procedural] requirements applicable to any of [an Obligor, the Holdco or the Sponsor] which arises in consequence of the taxation regime applicable to the UPP Group following its conversion to a group REIT (a "**REIT Status Change**");

it shall:

16.1.1 promptly notify the Trustees of this fact; and

16.1.2 following any change of law or any REIT Status Change, as the case may be, use all reasonable endeavours to enable it, insofar as it is able to do so given the change of law or 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
[NEWCO] 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:

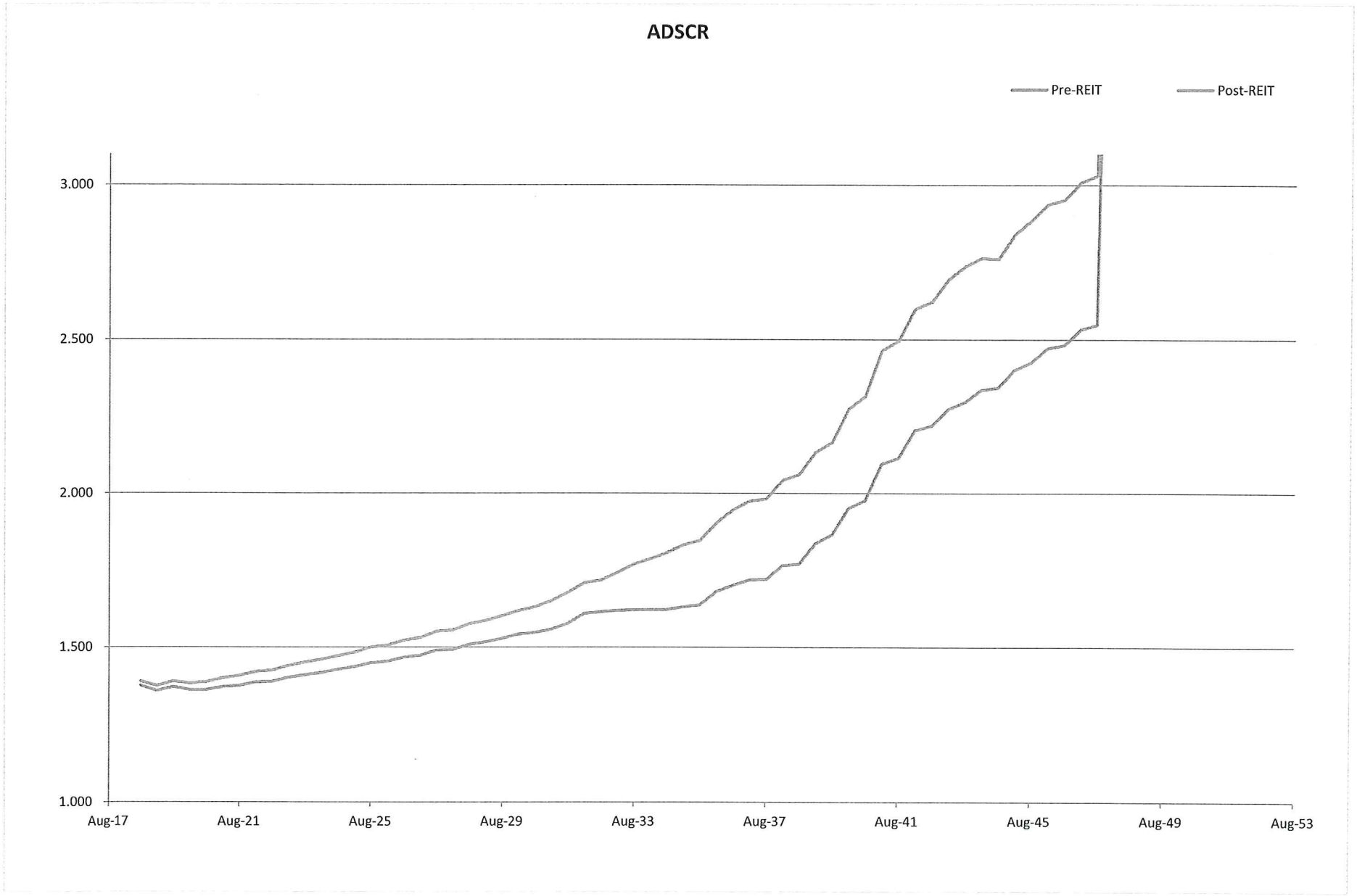
Duly authorised attorney:

Schedule 3

Tax Computations and Revised Model

Year From	01-Sep-16	01-Sep-17	01-Sep-18	01-Sep-19	01-Sep-20	01-Sep-21	01-Sep-22	01-Sep-23	01-Sep-24	01-Sep-25	01-Sep-26	01-Sep-27	01-Sep-28	01-Sep-29	01-Sep-30	01-Sep-31	01-Sep-32	01-Sep-33	01-Sep-34	01-Sep-35	01-Sep-36	01-Sep-37	01-Sep-38	01-Sep-39
Year To	31-Aug-17	31-Aug-18	31-Aug-19	31-Aug-20	31-Aug-21	31-Aug-22	31-Aug-23	31-Aug-24	31-Aug-25	31-Aug-26	31-Aug-27	31-Aug-28	31-Aug-29	31-Aug-30	31-Aug-31	31-Aug-32	31-Aug-33	31-Aug-34	31-Aug-35	31-Aug-36	31-Aug-37	31-Aug-38	31-Aug-39	31-Aug-40
Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Base																								
Tax computation																								
Total turnover	63,579,383	64,312,308	66,160,962	68,154,916	70,179,280	72,282,740	74,437,798	76,677,339	78,974,220	81,348,284	83,790,131	86,306,219	88,868,763	91,495,209	94,169,648	96,973,102	99,858,599	102,822,864	105,896,723	109,005,918	112,293,291	115,584,267	118,809,085	121,584,425
Total cost of sales	(18,937,458)	(18,731,925)	(19,252,554)	(19,768,438)	(20,298,256)	(20,842,387)	(21,401,222)	(21,975,161)	(22,564,616)	(23,170,009)	(23,791,776)	(24,430,362)	(25,086,227)	(25,759,841)	(26,451,690)	(27,162,271)	(27,892,094)	(28,641,686)	(29,411,587)	(30,202,351)	(31,014,548)	(31,848,764)	(32,705,602)	(33,585,679)
Overheads	(2,911,068)	(2,922,827)	(2,934,601)	(3,007,966)	(3,083,166)	(3,160,245)	(3,239,251)	(3,320,232)	(3,403,238)	(3,488,319)	(3,575,527)	(3,664,915)	(3,756,538)	(3,850,451)	(3,946,713)	(4,045,380)	(4,146,515)	(4,250,178)	(4,356,432)	(4,465,343)	(4,576,977)	(4,691,401)	(4,808,686)	(4,928,903)
Pensions	(159,673)	(157,123)	(154,572)	(152,021)	(149,470)	(146,919)	(144,368)	(141,817)	(139,266)	(136,715)	(134,164)	(131,613)	(129,062)	(126,511)	(123,960)	(121,409)	(118,858)	(116,308)	(113,757)	(111,206)	(108,655)	(106,104)	(103,553)	(101,002)
Irrecoverable VAT and Stamp Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391,584)	-	-	-	-	-	-	-	-	-
Debt issue costs	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)
Lifecycle costs not in capital allowances	(3,662,525)	(4,275,291)	(5,088,611)	(3,877,121)	(3,111,405)	(4,130,054)	(4,072,906)	(5,664,952)	(5,004,265)	(5,565,589)	(5,394,407)	(4,903,811)	(5,223,423)	(5,387,628)	(5,053,741)	(7,652,756)	(7,162,716)	(7,287,881)	(6,476,380)	(5,722,976)	(8,591,636)	(6,334,643)	(9,448,110)	(6,838,848)
Remove: lifecycle costs in CA	488,215	569,896	678,312	516,820	414,750	550,536	542,918	755,138	667,069	741,893	719,074	653,678	696,282	718,171	673,664	1,020,112	954,790	971,475	863,301	762,873	1,145,265	844,408	1,259,433	911,618
Remove: lifecycle costs disallowed for tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overage	(706,236)	(813,306)	(855,767)	(870,737)	(897,026)	(924,041)	(946,098)	(978,692)	(995,871)	(1,032,525)	(1,061,774)	(1,077,405)	(1,102,717)	(1,124,826)	(1,151,049)	(1,181,084)	(1,231,829)	(1,256,748)	(1,289,775)	(1,339,689)	(1,377,202)	(1,410,423)	(1,440,807)	(1,463,657)
Senior interest	(24,395,899)	(23,646,434)	(24,326,140)	(23,576,106)	(23,238,442)	(22,920,264)	(22,575,874)	(22,253,007)	(21,780,602)	(21,291,658)	(20,753,338)	(20,208,756)	(19,525,142)	(18,839,330)	(18,127,677)	(17,440,790)	(16,611,254)	(15,753,134)	(14,848,901)	(13,930,155)	(12,930,656)	(11,874,945)	(10,784,751)	(9,699,999)
Interest income	237,762	437,756	414,252	417,180	426,039	447,308	464,797	485,550	494,551	507,858	516,910	530,995	543,087	561,963	584,542	610,799	615,415	617,177	626,625	642,502	668,774	673,659	686,611	678,174
Sub debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add back disallowed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease premium relief	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(9,268)	(9,268)
Revenue cost	(270,396)	(289,416)	(309,779)	(331,581)	(354,924)	(379,918)	(406,679)	(435,334)	(466,018)	(498,874)	(534,057)	(571,733)	(612,060)	(655,289)	(701,562)	(751,120)	(804,196)	(861,042)	(921,927)	(987,141)	(1,056,992)	(1,131,813)	(1,211,959)	(1,297,812)
Capital allowances	(7,888,964)	(7,099,553)	(6,413,637)	(5,826,508)	(5,268,063)	(4,788,841)	(4,370,437)	(4,015,644)	(3,686,554)	(3,402,283)	(3,151,588)	(2,932,499)	(2,718,952)	(2,537,600)	(2,374,328)	(2,241,164)	(2,123,627)	(2,021,200)	(1,926,500)	(1,837,882)	(1,754,059)	(1,692,096)	(1,633,864)	(1,594,655)
Relief for finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profit, annual	4,728,069	6,739,015	7,272,793	11,033,367	13,974,247	15,342,846	17,643,608	18,488,115	21,450,339	23,366,991	25,984,414	28,924,727	31,308,919	33,848,795	36,460,479	37,362,969	40,692,643	43,578,269	47,396,318	51,169,480	52,051,535	57,367,074	58,356,726	63,402,590
Tax losses used	4,972,443	4,633,454	4,970,484	6,916,684	8,387,123	9,071,423	10,221,804	10,644,058	12,125,169	13,083,496	14,392,207	15,862,363	17,054,460	17,504,244	16,040,370	12,865,625	12,653,944	7,355,174	4,725,078	4,217,664	1,731,229	-	-	-
Taxable profits subject to tax	-	2,105,562	2,302,309	4,116,684	5,587,123	6,271,423	7,421,804	7,844,058	9,325,169	10,283,496	11,592,207	13,062,363	14,254,460	16,344,551	20,420,110	24,497,344	28,038,699	36,223,095	42,671,240	46,951,816	50,320,306	57,367,074	58,356,726	63,402,590
Tax payable	-	400,057	437,439	747,752	949,811	1,066,142	1,261,707	1,333,490	1,585,279	1,748,194	1,970,675	2,220,602	2,423,258	2,778,574	3,471,419	4,164,548	4,766,579	6,157,926	7,254,111	7,981,809	8,554,452	9,752,403	9,920,643	10,778,440
Tax rate	-	19.00%	19.00%	18.16%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%
REIT																								
Tax computation																								
Total turnover	63,579,383	64,312,308	66,160,962	68,154,916	70,179,280	72,282,740	74,437,798	76,677,339	78,974,220	81,348,284	83,790,131	86,306,219	88,868,763	91,495,209	94,169,648	96,973,102	99,858,599	102,822,864	105,896,723	109,005,918	112,293,291	115,584,267	118,809,085	121,584,425
Total cost of sales	(18,937,458)	(18,731,925)	(19,252,554)	(19,768,438)	(20,298,256)	(20,842,387)	(21,401,222)	(21,975,161)	(22,564,616)	(23,170,009)	(23,791,776)	(24,430,362)	(25,086,227)	(25,759,841)	(26,451,690)	(27,162,271)	(27,892,094)	(28,641,686)	(29,411,587)	(30,202,351)	(31,014,548)	(31,848,764)	(32,705,602)	(33,585,679)
Overheads	(2,911,068)	(2,922,827)	(2,934,601)	(3,007,966)	(3,083,166)	(3,160,245)	(3,239,251)	(3,320,232)	(3,403,238)	(3,488,319)	(3,575,527)	(3,664,915)	(3,756,538)	(3,850,451)	(3,946,713)	(4,045,380)	(4,146,515)	(4,250,178)	(4,356,432)	(4,465,343)	(4,576,977)	(4,691,401)	(4,808,686)	(4,928,903)
Pensions	(159,673)	(157,123)	(154,572)	(152,021)	(149,470)	(146,919)	(144,368)	(141,817)	(139,266)	(136,715)	(134,164)	(131,613)	(129,062)	(126,511)	(123,960)	(121,409)	(118,858)	(116,308)	(113,757)	(111,206)	(108,655)	(106,104)	(103,553)	(101,002)
Irrecoverable VAT and Stamp Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391,584)	-	-	-	-	-	-	-	-	-
Debt issue costs	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)
Lifecycle costs not in capital allowances	(3,662,525)	(4,275,291)	(5,088,611)	(3,877,121)	(3,111,405)	(4,130,054)	(4,072,906)	(5,664,952)	(5,004,265)	(5,565,589)	(5,394,407)	(4,903,811)	(5,223,423)	(5,387,628)	(5,053,741)	(7,652,756)	(7,162,716)	(7,287,881)	(6,476,380)	(5,722,976)	(8,591,636)	(6,334,643)	(9,448,110)	(6,838,848)
Remove: lifecycle costs in CA	488,215	569,896	678,312	516,820	414,750	550,536	542,918	755,138	667,069	741,893	719,074	653,678	696,282	718,171	673,664	1,020,112	954,790	971,475	863,301	762,873	1,145,265	844,408	1,259,433	911,618
Remove: lifecycle costs disallowed for tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overage	(706,236)	(813,306)	(855,767)	(870,737)	(897,026)	(924,041)	(946,098)	(978,692)	(995,871)	(1,032,525)	(1,061,774)	(1,077,869)	(1,103,177)	(1,125,453)	(1,152,439)	(1,182,669)	(1,233,238)	(1,270,112)	(1,299,339)	(1,344,691)	(1,377,202)	(1,410,423)	(1,448,154)	(1,471,756)
Senior interest	(24,395,899)	(23,646,434)	(24,326,140)	(23,576,106)	(23,238,442)	(22,920,264)	(22,575,874)	(22,253,007)	(21,780,602)	(21,291,658)	(20,753,338)	(20,208,756)	(19,525,142)	(18,839,330)	(18,127,677)	(17,440,790)	(16,611,254)	(15,753,134)	(14,848,901)	(13,930,155)	(12,930,656)	(11,874,945)	(10,784,751)	(9,699,999)
Interest income	237,762	438,643	415,288	419,208	428,802	450,526	468,713	489,759	499,648	513,578	523,453	538,491	551,336	571,146	596,847	625,122	651,625	719,062	802,538	868,818	943,949	1,013,252	1,009,519	972,826
Sub debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add back disallowed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease premium relief	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(393,268)	(9,268)	(9,268)
Revenue cost	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)
Capital allowances	(7,888,964)	(7,099,553)	(6,413,637)	(5,826,508)	(5,268,063)	(4,788,841)	(4,370,437)	(4,015,644)	(3,686,554)	(3,402,283)	(3,151,588)	(2,932,499)	(2,718,952)	(2,537,600)	(2,374,328)	(2,241,164)	(2,123,627)	(2,021,200)	(1,926,500)	(1,837,882)	(1,754,059)	(1,692,096)	(1,633,864)	(1,594,655)
Relief for finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profit, annual	3,942,071	5,714,858	6,380,826	9,126,972	11,495,274	12,646,934	14,468,530	15,466,459	17,176,216	19,726,901	21,562,455	23,556,496	26,342,950	27,768,026	29,407,731	31,159,265	33,200,722	36,614,117	38,333,327	43,219,728	42,507,339	46,941,543	49,286,990	51,311,538
Tax losses used	4,192,824	1,374,268	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profits subject to tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Year From	01-Sep-40	01-Sep-41	01-Sep-42	01-Sep-43	01-Sep-44	01-Sep-45	01-Sep-46	01-Sep-47	01-Sep-48	01-Sep-49	01-Sep-50	01-Sep-51	01-Sep-52	01-Sep-53	01-Sep-54	01-Sep-55	01-Sep-56	01-Sep-57	01-Sep-58	01-Sep-59
Year To	31-Aug-41	31-Aug-42	31-Aug-43	31-Aug-44	31-Aug-45	31-Aug-46	31-Aug-47	31-Aug-48	31-Aug-49	31-Aug-50	31-Aug-51	31-Aug-52	31-Aug-53	31-Aug-54	31-Aug-55	31-Aug-56	31-Aug-57	31-Aug-58	31-Aug-59	31-Aug-60
Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Base																				
Tax computation																				
Total turnover	124,598,934	128,294,255	132,099,369	136,017,544	140,052,144	144,206,633	148,484,581	152,889,660	92,385,599	95,106,222	87,785,651	85,570,612	48,949,999	50,416,674	51,927,304	53,483,206	55,085,737	40,935,626	-	-
Total cost of sales	(34,489,630)	(35,418,110)	(36,371,790)	(37,351,357)	(38,357,523)	(39,391,014)	(40,452,578)	(41,542,986)	(22,592,881)	(23,195,687)	(21,437,515)	(21,206,002)	(11,927,415)	(12,242,770)	(12,566,523)	(12,898,901)	(13,240,134)	(10,750,412)	-	-
Overheads	(5,052,126)	(5,178,429)	(5,307,890)	(5,440,587)	(5,576,601)	(5,716,017)	(5,858,917)	(5,418,414)	(3,150,946)	(3,079,547)	(2,593,290)	(2,658,122)	(1,890,216)	(1,937,472)	(1,985,908)	(2,035,556)	(2,086,445)	(1,444,514)	-	-
Pensions	(98,451)	(95,900)	(93,349)	(90,798)	(88,247)	(85,696)	(83,145)	(80,594)	-	-	-	-	-	-	-	-	-	-	-	-
Irrecoverable VAT and Stamp Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt issue costs	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(186,096)	(186,096)	-	-	-	-	-	-	-	-	-	-	-
Lifecycle costs not in capital allowances	(6,653,625)	(7,682,656)	(5,740,051)	(11,321,382)	(8,196,491)	(8,166,826)	(8,342,353)	(9,420,312)	(4,403,343)	(4,478,425)	(4,395,804)	(4,550,410)	(2,484,192)	(4,714,559)	(1,897,578)	(3,241,208)	(3,294,844)	(2,871,350)	-	-
Remove: lifecycle costs in CA	886,928	1,024,098	765,149	1,509,140	1,092,592	1,088,638	1,112,036	1,255,728	586,966	596,974	585,961	606,570	331,143	628,451	252,947	432,053	439,203	382,751	-	-
Remove: lifecycle costs disallowed for tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overage	(1,503,988)	(1,553,272)	(1,573,697)	(1,626,854)	(1,636,217)	(1,693,459)	(1,736,886)	(1,778,347)	(765,468)	(762,062)	(800,466)	(600,349)	(65,549)	(75,427)	(74,313)	(73,884)	(88,037)	-	-	-
Senior interest	(8,607,070)	(7,558,338)	(6,483,605)	(5,373,061)	(4,150,221)	(2,887,314)	(1,530,360)	(504,153)	(221,518)	(0)	0	0	0	0	0	0	(0)	(0)	-	-
Interest income	676,255	699,114	724,827	760,668	750,832	771,902	780,268	696,918	419,260	409,747	383,822	376,517	214,540	220,215	215,195	228,998	222,916	162,619	-	-
Sub debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add back disallowed interest	-	-	-	-	-	-	-	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	0	0	-	-
Lease premium relief	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	-	-	-
Revenue cost	(1,389,782)	(1,488,307)	(1,593,856)	(1,706,936)	(1,828,086)	(1,957,887)	(2,096,961)	(2,245,975)	(840,649)	(902,130)	(775,865)	(834,072)	(896,718)	(964,145)	(1,036,725)	(1,114,858)	(1,198,977)	(865,859)	-	-
Capital allowances	(1,533,732)	(1,485,174)	(1,439,824)	(1,411,474)	(1,400,881)	(1,375,653)	(1,353,110)	(8,221,884)	(791,656)	(2,033,675)	(666,045)	(3,479,171)	(432,205)	(433,056)	(436,939)	(429,303)	(2,152,506)	(4,176,914)	-	-
Relief for finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profit, annual	66,572,643	69,296,210	74,724,213	73,703,832	80,400,230	84,532,237	88,661,503	85,434,277	60,430,000	61,652,149	58,077,182	53,216,304	31,790,118	30,888,644	34,388,192	34,341,279	33,677,644	21,371,947	-	-
Tax losses used	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profits subject to tax	66,572,643	69,296,210	74,724,213	73,703,832	80,400,230	84,532,237	88,661,503	85,434,277	60,430,000	61,652,149	58,077,182	53,216,304	31,790,118	30,888,644	34,388,192	34,341,279	33,677,644	21,371,947	-	-
Tax payable	11,317,349	11,780,356	12,703,116	12,529,652	13,668,039	14,370,480	15,072,455	14,523,827	10,273,100	10,480,865	9,873,121	9,046,772	5,404,320	5,251,069	5,845,993	5,838,017	5,725,199	3,633,231	-	-
Tax rate	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	-	-
REIT																				
Tax computation																				
Total turnover	124,598,934	128,294,255	132,099,369	136,017,544	140,052,144	144,206,633	148,484,581	152,889,660	92,385,599	95,106,222	87,785,651	85,570,612	48,949,999	50,416,674	51,927,304	53,483,206	55,085,737	40,935,626	-	-
Total cost of sales	(34,489,630)	(35,418,110)	(36,371,790)	(37,351,357)	(38,357,523)	(39,391,014)	(40,452,578)	(41,542,986)	(22,592,881)	(23,195,687)	(21,437,515)	(21,206,002)	(11,927,415)	(12,242,770)	(12,566,523)	(12,898,901)	(13,240,134)	(10,750,412)	-	-
Overheads	(5,052,126)	(5,178,429)	(5,307,890)	(5,440,587)	(5,576,601)	(5,716,017)	(5,858,917)	(5,418,414)	(3,150,946)	(3,079,547)	(2,593,290)	(2,658,122)	(1,890,216)	(1,937,472)	(1,985,908)	(2,035,556)	(2,086,445)	(1,444,514)	-	-
Pensions	(98,451)	(95,900)	(93,349)	(90,798)	(88,247)	(85,696)	(83,145)	(80,594)	-	-	-	-	-	-	-	-	-	-	-	-
Irrecoverable VAT and Stamp Duty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt issue costs	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(251,803)	(186,096)	(186,096)	-	-	-	-	-	-	-	-	-	-	-
Lifecycle costs not in capital allowances	(6,653,625)	(7,682,656)	(5,740,051)	(11,321,382)	(8,196,491)	(8,166,826)	(8,342,353)	(9,420,312)	(4,403,343)	(4,478,425)	(4,395,804)	(4,550,410)	(2,484,192)	(4,714,559)	(1,897,578)	(3,241,208)	(3,294,844)	(2,871,350)	-	-
Remove: lifecycle costs in CA	886,928	1,024,098	765,149	1,509,140	1,092,592	1,088,638	1,112,036	1,255,728	586,966	596,974	585,961	606,570	331,143	628,451	252,947	432,053	439,203	382,751	-	-
Remove: lifecycle costs disallowed for tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overage	(1,506,526)	(1,555,884)	(1,576,439)	(1,629,640)	(1,639,398)	(1,696,524)	(1,740,355)	(1,781,537)	(768,730)	(765,866)	(804,439)	(603,329)	(68,467)	(78,413)	(77,502)	(77,141)	(91,056)	-	-	-
Senior interest	(8,607,070)	(7,558,338)	(6,483,605)	(5,373,061)	(4,150,221)	(2,887,314)	(1,530,360)	(504,153)	(221,518)	(0)	0	0	0	0	0	0	(0)	(0)	-	-
Interest income	937,577	937,053	936,889	931,759	880,058	860,989	837,131	751,809	458,013	449,284	421,063	410,701	234,922	240,019	237,243	251,055	244,508	176,329	-	-
Sub debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add back disallowed interest	-	-	-	-	-	-	-	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	0	0	-	-
Lease premium relief	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	(9,268)	-	-	-
Revenue cost	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(1,106,678)	(488,323)	(488,323)	(412,636)	(412,636)	(412,636)	(412,636)	(412,636)	(412,636)	(412,636)	(300,632)	-	-
Capital allowances	(1,533,732)	(1,485,174)	(1,439,824)	(1,411,474)	(1,400,881)	(1,375,653)	(1,353,110)	(8,221,884)	(791,656)	(2,033,675)	(666,045)	(3,479,171)	(432,205)	(433,056)	(436,939)	(429,303)	(2,152,506)	(4,176,914)	-	-
Relief for finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profit, annual	54,536,017	56,649,116	60,741,135	60,502,985	65,710,503	70,726,110	71,883,198	72,904,796	60,817,816	62,101,689	58,473,679	53,668,945	32,291,665	31,456,971	35,031,141	35,062,303	34,482,558	21,950,884	-	-
Tax losses used	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxable profits subject to tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-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Schedule 4

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

9th October, 2017

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 1st December, 2017. 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

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 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

3.5 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.

3.6 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.

3.7 The consent of the Issuer Security Trustee for the purpose of paragraphs 3.5(a) and 3.6 above, and the waiver of the restriction referred to in paragraph 3.5(b) above, is requested by means of this Proposal Request.

Dividends and upstream loans

3.8 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.

3.9 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

3.10 The entry into the Tax Deed of Novation and Variation and the consent and waiver for the purpose of paragraph 3.7 above are referred to in this Proposal Request as the **Requested Consents**.

3.11 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 23rd November, 2017 (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 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

Schedule 4

Tax Computations and Revised Model

Schedule 5

MA 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.