

12 August 2019

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 (the "Issuer")**

40 Gracechurch Street

London EC3V 0BT

Attention: Company Secretary

Delivered by email to moji.fatoye@upp-ltd.com

Dear Sirs

MA Proposal Request related to UPP (Plymouth Three) Limited and refurbishment works

Monitoring Adviser Recommendation

We refer to UPP Bond 1 Limited's ("ParentCo") MA Proposal Request dated 1 August 2019 (copy attached for ease of reference and received on 2 August 2019) addressed to yourselves and ourselves (the "**MA Proposal Request**") as the Monitoring Adviser, pursuant to the terms of the Monitoring Services Agreement dated 5 March 2013 (the "**MSA**") and our subsequent Category Determination dated 5 August 2019 (copy attached).

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

The Monitoring Adviser has prepared this Monitoring Adviser Recommendation based upon information received by the Monitoring Adviser from the Issuer. 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 MSA and has done so in accordance with the Monitoring Standard. The Monitoring Adviser does not owe any fiduciary duty to any Holder of Securities 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 MSA 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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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 MSA.

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 Clause 3 (*Monitoring Adviser Recommendation*) and Clause 4 (*MA Direction Matter*) of Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) of the MSA it is our Monitoring Adviser Recommendation that the Issuer Security Trustee approves (and we hereby direct the Issuer Security Trustee to approve) the Consent Request on behalf of the Issuer Secured Creditors subject to:

- The matters confirmed / certified in paragraph 4.3 of the MA Proposal Request have been or are being fulfilled in a manner acceptable to ourselves;
- ParentCo engaging a suitably qualified organization (as agreed with BCP) to prepare a Lifecycle Report relative to the Plymouth Accommodation on behalf of, and with reliance afforded to, the Issuer Secured Creditors. Such Lifecycle Report is to be prepared and delivered to BCP at least prior to 31 December 2019. The Lifecycle Report is to inform the relevant Sinking Fund budgeting; to the extent that material gaps are identified between the Lifecycle Report and the most recently reviewed Lifecycle Budget, any incremental works identified will be undertaken by AssetCo during the period when such work is recommended in the new Lifecycle Report;
- ParentCo delivering a draft of the remedial plan referenced in paragraph 2.11 of the MA Proposal Request during August 2019 for preliminary review and comment from the Monitoring Adviser;
- The University's letter of comfort, attached as Appendix A to the MA Proposal Request, being reissued in materially consistent form and addressed to US Bank Trustees Limited (as Issuer Security Trustee) on behalf of the Issuer Secured Creditors; and
- The Monitoring Adviser undertaking a Site Visit during September 2019, September 2020 and September 2021 to observe the relevant completed Works, hold discussions with relevant AssetCo, FM Provider and University staff to confirm satisfactory progress with the Works, student satisfaction and the impact on demand for the Accommodation.

The reasons for our Monitoring Adviser Recommendation are that implementing the Works (as defined in the MA Proposal Request) will enhance the Accommodation, improve marketability and therefore increase the probability of the AssetCo financial covenant tests returning to levels observed in prior Financial Years.

If, in the opinion of the Issuer Security Trustee, such directions are contrary to law or regulations, or would impose any more onerous obligations on the Issuer Security Trustee or expose it to any liability without indemnification and/or security and/or prefunding to its satisfaction, the Issuer Security Trustee shall reject the MA Proposal Request on behalf of the Issuer Secured Creditors.

In making this Monitoring Adviser Recommendation we note:

- ParentCo's expectation that Plymouth AssetCo occupancy rates will likely be "sustained at stressed levels for the foreseeable future" if the Works are not undertaken in a timely manner;
- The University's documented support for the positive impact that the Works are expected to have on its relationship with AssetCo and UPP, future demand and occupancy at the AssetCo Accommodation;
- The proven experience of the FM Provider in managing Sinking Fund work implementation;
- To the extent that a Monitoring Trigger Event does occur, as highlighted in paragraph 2.11 of the MA Proposal Request, this will promote further active engagement between ParentCo, AssetCo, the University and the Monitoring Adviser regarding not only the Works, but also other activities (such as marketing) aimed at bringing the relevant ratios into compliance on an ongoing basis. Trigger Level 2, Phase 1 Monitoring requires, inter alia, that:
 - The Monitoring Adviser reviews ParentCo and AssetCo's remedial plan; we would anticipate this being finalised during September 2019;

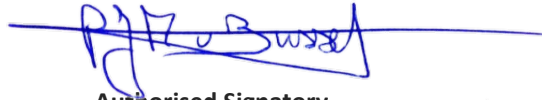
- The Monitoring Adviser meeting with ParentCo and AssetCo management to review and discuss progress made implementing the remedial plan; and
- The Monitoring Adviser publishing a quarterly report to, amongst others, the Issuer Secured Creditors, stating our views and analysis of the Trigger Event.
- That the cost of the Works is being funded, in effect, by equity in the form of a reduced ultimate distribution to the UPP Group shareholders. In addition, UPP is, at our instigation, prefunding the relevant Sinking Fund Reserve with the cost of the 2020/21 and 2021/22 Works.
- The confirmations and certifications provided by ParentCo in paragraph 4.3 of the MA Proposal Request (attached hereto).

Yours sincerely,

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



Authorised Signatory



Authorised Signatory

Encl.

- MA Proposal Request dated 1 August 2019
- Category Determination dated 5 August 2019