

16 August 2021

**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](mailto:laurence.griffiths@usbank.com)

*Copy to:*

**UPP Bond 1 Limited ("ParentCo")**

First Floor

12 Arthur Street

London EC4R 9AB

Attention: Company Secretary

Delivered by email to [rita.chudasama@upp-ltd.com](mailto:rita.chudasama@upp-ltd.com)

Dear Sirs

**MA Proposal Request related to Additional Sinking Fund Budgets - Monitoring Adviser Recommendation**

We refer to UPP Bond 1 Limited's MA Proposal Request dated 12 August 2021 (copy attached for ease of reference) 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 13 August 2021.

Terms defined in the Common Terms Agreement dated 5 March 2013 (the "**CTA**") between, amongst others, ParentCo, ourselves 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 Requests on behalf of the Issuer Secured Creditors subject to:

- ParentCo and each Relevant AssetCo fulfilling all commitments referenced in the MA Proposal Request;
- If a Monitoring Trigger Event is confirmed in relation to UPP Broadgate Park following the 31 August 2021 Test Date, ParentCo issuing a notification of a Trigger Level 1, Phase 1 Monitoring Trigger Event (or such other Monitoring Trigger Event as occurs) and delivering a Trigger Level Report, as required and contemplated in the MSA, prior to 30 September 2021;
- ParentCo and the UPP Kent delivering an update to the February 2021 UPP Kent Trigger Level Report, prior to 30 September 2021, reflecting the additional capital expenditure contemplated at UPP Kent and providing key performance indicators such that implementation of the Revised FY21 Sinking Fund Works and student / University of Kent feedback on the Revised FY21 Sinking Fund Works can be factored into the need for future additional or exceptional Sinking Fund works such that occupancy is sustained at levels that will cure the Monitoring Trigger Event. For clarity, the introduction of this updated Trigger Level Report is not intended to affect the quarterly reporting due on or around 31 August 2021 in respect of the requirements introduced following the February 2021 UPP Kent Trigger Level Report. We will consider the potential need for an independent review by a suitably qualified consultant of the UPP Kent Sinking Fund expenditure forecasts as part of our consideration of any updated Trigger Level Report.
- UPP confirming to the Monitoring Adviser (on or around 30 September 2021) that all Revised FY21 Sinking Fund Works have been completed during the 2020/2021 Financial Year. If any such Revised FY21 Sinking Fund Works are proposed to be carried forward to be accounted for during the 2021/22 Financial Year, a schedule of such works should be provided, coupled with the financial cost such that the Operating Budget for the 2021/22 Financial Year can be reviewed and amended accordingly.

The reason for our Monitoring Adviser Recommendation is that we do not consider approving the Consent Requests to be materially adverse to the interests of the Issuer Secured Creditors. In reaching this conclusion, we have undertaken some analysis of the reported and pro-forma cash flows supplied by UPP to understand the impact of the cost of the Revised FY21 Sinking Fund Works on certain relevant reported financial ratios:

Ratio	Original Feb 2021	Feb 2021 restated*	Pro-Forma Feb 2021 #
Historic Senior DSCR	1.37x	1.32x	1.32x
Projected Senior DSCR	1.21x	1.36x	1.33x
UPP (Alcuin) Ltd Historic AssetCo DSCR	1.37x	1.33x	1.33x
UPP (Alcuin) Ltd Projected AssetCo DSCR	1.38x	1.35x	1.35x
UPP (Nottingham) Ltd Historic AssetCo DSCR	1.39x	1.37x	1.37x
UPP (Nottingham) Ltd Projected AssetCo DSCR	1.35x	1.46x	1.30x
UPP Broadgate Park Historic AssetCo DSCR	1.35x	1.20x	1.20x
UPP Broadgate Park Projected AssetCo DSCR	1.31x	1.31x	1.30x
UPP (Oxford Brookes) Ltd Historic AssetCo DSCR	1.35x	1.40x	1.40x
UPP (Oxford Brookes) Ltd Projected AssetCo DSCR	1.38x	1.42x	1.21x
UPP Kent Historic AssetCo DSCR	1.15x	1.07x	1.07x
UPP Kent Projected AssetCo DSCR	1.16x	1.10x	0.96x

\* UPP has advised that certain financial ratios as at the 28 February 2021 Test Date were, in some instances, incorrectly reported.

# Includes the impact of the MA Proposal Request dated 30 July 2021 related to the UPP Exeter Ltd Duryard property and the Consent Requests

As we would expect, there is no impact on the various historic ratios. There is, as we would anticipate, some impact on the various projected ratios, particularly at UPP (Nottingham) Ltd, UPP (Oxford Brookes) Ltd and UPP Kent. We note that the UPP Kent AssetCo is and remains subject to a Trigger Level 2, Phase 1 Monitoring Trigger Event.

We have reviewed the impact of the Consent Requests on the financial ratios UPP management would anticipate reporting if a compliance certificate is submitted towards the end of August 2021 for the Test Date of 31 August 2021. Whilst there is an expected impact on the Historic ratios forecast, only UPP Broadgate Park and UPP Kent are expected to report Historic AssetCo DSCRs below 1.15x.

We further note that UPP management have indicated in their half year 2021 report that they anticipate progressing certain essential remedial works at the Plymouth Property (Francis Drake Hall) ("**Francis Drake Remediations**"). We understand that there will be a financial cost of implementing the Francis Drake Remediations that will be spread across the current and prospective Financial Years for UPP (Plymouth Three) Ltd that will result in UPP (Plymouth Three) Ltd remaining subject to a Monitoring Trigger Event and for a material reduction in the Senior Historic DSCR and Senior Projected DSCR expected to be reported for the 31 August 2021 Test Date. We note that UPP has advised that both the Senior Historic DSCR and Senior Projected DSCR are presently expected to be reported at a level exceeding 1.15x, even after allowing for the costs of the Francis Drake Remediations and the Revised FY21 Sinking Fund Works. The Francis Drake Remediations are, UPP advise, expected to give rise to a further MA Proposal Request.

We derive further comfort from:

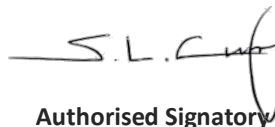
- The Revised FY21 Sinking Fund Works enhancing the marketability of the Under-budgeted Properties; improving the student experience and UPP's relationship with the relevant universities;
- Occupancy and summer vacation rentals not being adversely affected as the Revised FY21 Sinking Fund Works are programmed to be completed prior to students returning in September 2021 and the Revised FY21 Sinking Fund Works taking place during a period whilst Covid-19 restrictions limit summer activities; and
- The revised Sinking Fund expenditure budgets at UPP (Plymouth Three) Ltd and UPP Exeter Ltd being consistent with the amounts contemplated in the Financial Model.

Yours sincerely,

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



**Authorised Signatory**



**Authorised Signatory**

Encl.: MA Proposal Request

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London EC4R 9AB

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Bishopsfield Capital Partners Limited  
Bridge House, 181 Queen Victoria Street London EC4V 4EG  
(the "Monitoring Adviser")  
For the attention of the Monitoring Adviser Team

U.S. Bank Trustees Limited  
125 Old Broad Street  
London EC2N 1AR  
(the "Issuer Security Trustee")  
For the attention of the Structured Finance Relationship Manager

12 August 2021

Dear Sirs,

**Proposed consents and waivers relating to the £5,000,000,000 Multicurrency Programme for the Issuance of Senior Secured Notes (the "Programme") of UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc**

## 1. INTRODUCTION

- 1.1 Unless otherwise defined in this MA Proposal Request, terms defined in the Common Terms Agreement dated 5 March 2013 (as amended from time to time) (the "CTA") or the Monitoring Services Agreement dated 5 March 2013 between, amongst others, UPP Bond 1 Limited and the Monitoring Adviser (the "Monitoring Services Agreement") shall have the same meaning when used in this MA Proposal Request.
- 1.2 We refer to the CTA. This letter constitutes an "MA Proposal Request" for the purposes of the Monitoring Services Agreement.

## 2. BACKGROUND

- 2.1 Schedule 1 to this letter provides an extract from the update relating to FY2020/21 sinking fund works issued to the Monitoring Adviser on 25 April 2021. The table in Schedule 1 to this letter summarises the proposed and revised sinking fund expenditure for the Financial Year ending 31 August 2021 (the "Revised FY21 Sinking Fund Works") for each of UPP (Alcuin) Limited, UPP (Broadgate Park) Limited ("UPP Broadgate Park"), UPP (Nottingham) Limited, UPP (Kent Student Accommodation) Limited ("UPP Kent") and UPP (Oxford Brookes) Limited (together the "Relevant AssetCos"), compared with the Sinking Fund Works Programme forecast that was the basis of the sinking fund expenditure set out in the Operating Budget for the Financial Year ending 31 August 2021 (the "Budgeted FY21 Sinking Fund Works").



- 2.2. Schedule 1 to this letter outlines that further budget is required for the Revised FY21 Sinking Fund Works anticipated at each of the York Property, Broadgate Park Property, Nottingham Property, Kent Property and Oxford Property (the “Under-budgeted Properties”).
- 2.3 The Revised FY21 Sinking Fund Works referred to at paragraph 2.2 above (and as set out in Schedule 1 to this letter) require a £1,756,359 increase in the Budgeted FY21 Sinking Fund Works at the Under-budgeted Properties (the “Proposed Additional FY21 Sinking Fund Expenditure”); the net additional budget required for the Revised FY21 Sinking Fund Works is £659,559 after taking into account that UPP (Plymouth Three) Limited (“UPP Plymouth”) and UPP (Exeter) Limited over-budgeted for Sinking Fund expenditure at the Plymouth Property and the Exeter Property respectively. The Proposed Additional FY21 Sinking Fund Expenditure now takes account of quotes actually received for the Revised FY21 Sinking Fund Works at the Under-budgeted Properties (a high-level summary of the works to be delivered at the Under-budgeted Properties is provided at Schedule 2 to this letter).
- 2.4 Each of the Relevant AssetCos are requesting consent from the Issuer to the Additional FY21 Sinking Fund Expenditure envisaged by the Revised FY21 Sinking Fund Works and further confirm that such works will not be carried out without first receiving such consent. To the extent such consent is not forthcoming, each of the Relevant AssetCos will comply with their respective sinking fund expenditure thresholds set out in the Budgeted FY21 Sinking Fund Works.
- 2.5 Had the over-budgeting of Sinking Fund expenditure at the Plymouth Property and Exeter Property (referred to at paragraph 2.3 above), alongside the Additional FY21 Sinking Fund Expenditure by the Relevant AssetCos, been known at the 28 February 2021 Test Date, forecasting such costs would not have resulted in any new Monitoring Trigger Events having reference to the Historic Senior DSCR or Projected Senior DSCRs. We also confirm that Additional FY21 Sinking Fund Expenditure is not expected to cause the results of the relevant financial ratios (the Historic Senior DSCR, Projected Senior DSCR, and relevant Historic AssetCo DSCRs and Projected AssetCo DSCRs) to trigger a new Monitoring Trigger Event in respect of the 31 August 2021 Test Date, with the exception of an additional Monitoring Trigger Event anticipated in relation to UPP Broadgate Park (noting that this remains subject to confirmation) and those subsisting in relation to UPP Kent and UPP Plymouth. We have provided evidence to the Monitoring Adviser to support these statements by way of updated management accounts.

### **3. CONSENT REQUESTS**

- 3.1 Paragraph 9.10 of Part 1 of Schedule 8 of the CTA requires each and any AssetCo to obtain the prior written consent of the Issuer before incurring any capital expenditure except to the extent it is required so to do pursuant to the terms of the relevant Project Documents in accordance with the agreed relevant Operating Budget and/or as envisaged in the relevant Sinking Fund Works Programme. The Proposed Additional FY21 Sinking Fund Expenditure by the Relevant AssetCos at the Under-budgeted Properties do not fall within the exemptions granted under Paragraph 9.10 of Part 1 of Schedule 8 of the CTA. The Issuer is therefore seeking that the Issuer Secured Creditors provide consent to the following:
- a. UPP (Alcuin) Limited incurring additional capital expenditure of £5,713 during the Financial Year ending 31 August 2021;
  - b. UPP (Broadgate Park) Limited incurring additional capital expenditure of £80,914 during the Financial Year ending 31 August 2021;
  - c. UPP (Nottingham) Limited incurring additional capital expenditure of £973,567 during the Financial Year ending 31 August 2021;
  - d. UPP (Kent Student Accommodation) Limited incurring additional capital expenditure of £222,211 during the Financial Year ending 31 August 2021; and

- e. UPP (Oxford Brookes) Limited incurring additional capital expenditure of £473,954 during the Financial Year ending 31 August 2021;

together the "Consent Requests".

3.2 The Issuer has agreed pursuant to the Issuer Deed of Charge dated 5 March 2013 between, amongst others, UPP Bond 1 Limited and the Issuer Security Trustee (the "IDOC") that it shall only exercise its rights described above in paragraph 3.1 of this letter as directed by, or with the prior consent of the Issuer Security Trustee.

3.3 Furthermore, paragraph 1.1.1 of Part 3 to Schedule 2 of the IDOC provides that the rights of the Issuer described above shall constitute an AssetCo Monitored Activity.

#### **4. MA PROPOSAL REQUEST**

4.1 We hereby confirm that, for the purposes of the Monitoring Services Agreement, the Consent Requests described above constitutes an MA Proposal Request. As such, each Issuer Secured Creditor and Obligor has agreed to be bound by the provisions of the Monitoring Services Agreement with respect thereto.

4.2 We hereby confirm that, in our reasonable opinion, the Consent Requests set out in this MA Proposal Request:

- a. each constitutes an Ordinary Matter;
- b. do not give rise to the right of any Issuer Secured Creditor to exercise an Entrenched Right; and
- c. each constitute an MA Direction Matter.

4.4 In our reasonable opinion, the Consent Requests contained at paragraph 3.1 above, will not, individually or collectively prejudice the rights of the Issuer Secured Creditors. Further, it is also our reasonable opinion that accelerating such works (as set out in Schedule 2 to this letter), will improve marketability of the Under-budgeted Properties, which should be viewed as credit enhancing to the Programme.

#### **5. REQUEST OF THE MONITORING ADVISER AND ISSUER SECURITY TRUSTEE**

5.1 We hereby request that the Monitoring Adviser:

- a. as soon as reasonably practicable and, in any event, within 5 Business Days of receipt hereof, confirms that the Consent Requests constitute, in its reasonable opinion, MA Direction Matters; and
- b. as soon as reasonably practicable and, in any event, within 10 Business Days of the Categorisation Determination Date, provides a Monitoring Adviser Recommendation that the Issuer Security Trustee agrees to the Consent Requests.

#### **6. GOVERNING LAW AND JURISDICTION**

6.1 Clauses 17.1 and 17.2 of the Monitoring Services Agreement shall apply mutatis mutandis to this letter except that any references therein to "this Agreement" shall, for the purposes of this MA Proposal Request, be deemed to be a reference to "this MA Proposal Request".

Yours faithfully



HENRY GERVAISE-JONES

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**Director**

**UPP Bond 1 Limited**  
(as the ParentCo and Group Agent)

Date: 12 AUGUST 2021

**Schedule 1**  
**Revised FY21 Sinking Fund Works Budget**

Property	Budgeted FY21 Sinking Fund Works (provided in August 2020)	Revised FY21 Sinking Fund Works	Proposed Additional FY21 Sinking Fund Expenditure
	£	£	£
York Property	640,332	646,045	5,713
Nottingham Property	907,545	1,881,112	973,567
Broadgate Park Property	744,368	825,282	80,914
Oxford Property	152,350	626,304	473,954
Kent Property	190,123	412,334	222,211
<b>TOTAL</b>	<b>2,634,718</b>	<b>4,391,077</b>	<b>1,756,359</b>



**Schedule 2**  
**High level summary of works to be delivered at the Under-budgeted Properties**

The Proposed Additional FY21 Sinking Fund Expenditure includes:

- York Property
  - Investment over spend in boiler rationalisation and replacement programme at Halifax (Hickleton) for improved lifecycle and maintenance efficiency.
  
- Nottingham Property
  - The social space refurbishment project at Blenheim, Norton Court and Peverell Hall which was subject to rent setting discussions that took place in Q4 2020. The AssetCo is funding these works in advance of the enhanced rental income being realised in AY2021/2022 (due to an above RPI increase for this purpose). This was at the request of the University.
  - Acceleration of the Simpsons Hall ensuite bathroom refurbishments.
  - Acceleration of kitchen replacement works at Simpsons, Gill Street North and the Maltings Halls.
  
- Broadgate Park Property
  - Replacement of Crittall windows at Upper and Lower Court properties to address condensation, mould, water ingress and security issues but also improve energy efficiency.
  
- Oxford Property
  - Acceleration of kitchen replacements as part of a phased replacement programme to address student and University feedback.
  
- Kent Property
  - Continuing acceleration of kitchen replacements as part of a phased replacement programme agreed with the University.

Acknowledgement and agreement of the Issuer Security Trustee:

To: UPP Bond 1 Limited (as the ParentCo and Group Agent)

Copy: Bishopsfield Capital Partners Limited (as the Monitoring Adviser)

We refer to the MA Proposal Request dated \_\_\_\_ [\*\*\*] 2021 and the Monitoring Adviser Categorisation dated \_\_\_\_ [\*\*\*] 2021 and the Monitoring Adviser Recommendation dated \_\_\_\_ [\*\*\*] 2021 in respect thereof.

Without further reference to or instructions from the Issuer Secured Creditors, we hereby approve the Consents and Waivers on behalf of the Issuer Secured Creditors in accordance with the directions of the Monitoring Adviser (and subject to any such conditions as the Monitoring Adviser may require) to take all other steps, do all other things and enter into all other documents as may be reasonably required to implement the matters referred to in the Remediation Works Plan and/or the Consents and Waivers.

Dated: \_\_\_\_ [\*\*\*] 2021

By:

For and on behalf of:

U.S. Bank Trustees Limited

(as Issuer Security Trustee)