

27 October 2022

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 Limited ("ParentCo")

First Floor

12 Arthur Street

London EC4R 9AB

Attention: Company Secretary

Delivered by email to rita.chudasama@upp-ltd.com

Dear Sirs

MA Proposal Request related to UPP Plymouth and a potential Claim - Monitoring Adviser Recommendation

We refer to UPP Bond 1 Limited's MA Proposal Request dated 26 October 2022 (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 26 October 2022.

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

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Holders of Securities resulting from its fraud, gross negligence or willful 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 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:

- ParentCo and UPP Plymouth fulfilling all commitments contained in the MA Proposal Request;
- ParentCo and UPP Plymouth entering into an acceptable (to the Monitoring Adviser) form of the Indemnity referenced in paragraph 3 of the MA Proposal Request; and
- A copy of the executed Indemnity being supplied to the Issuer Security Trustee and the Monitoring Adviser.

The reasons for our Monitoring Adviser Recommendation are consistent with the reasons stated by ParentCo in paragraph 4.5 of the MA Proposal Request. In particular we note:

- The costs budgeted for pursuing the Claim during the 2022/2023 Financial Year are not anticipated, in themselves, to cause UPP Plymouth Projected AssetCo DSCR or Historic AssetCo DSCR to fall below 1.05:1 and can be absorbed within UPP Plymouth's operating cash flows. In addition, should the Claim be successful, this may recover some or all of the costs UPP Plymouth incurred when undertaking the Remediation Works;
- The costs budgeted for pursuing the Claim, coupled with the costs of pursuing the claim that is the subject of a concurrent MA Proposal Request related to UPP (Kent Student Accommodation) Ltd ("**UPP Kent**"), are not anticipated, in themselves, to cause Projected Senior DSCR or Historic Senior DSCR to fall below 1.15:1; in making this comment, we note that the expected combined effect of the two MA Proposal Requests related to UPP Plymouth and UPP Kent on the Projected Senior DSCR would be to reduce that submitted in the August 2022 Compliance Certificate from 1.25:1 to 1.23:1;
- The Indemnity demonstrates ParentCo's formal support to UPP Plymouth in pursuing the Claim; and
- Monitoring under Stress Conditions, affording the Issuer Secured Creditors incremental reporting and visibility concerning the UPP Plymouth performance, will likely continue for several quarters, in part as a result of the costs associated with pursuing the Claim.

Yours sincerely,

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



Authorised Signatory



Authorised Signatory

Encl.

- MA Proposal Request

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

26 October 2022

Dear Sirs,

Proposed Consent 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 "**MSA**") 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 MSA.
- 1.3 The letter constitutes a "Finance Document" for the purposes of the CTA.

2 BACKGROUND

MA Proposal Request dated 20 December 2021

- 2.1 As outlined in an MA Proposal Request dated 20 December 2021, certain fire related defects were identified at the Francis Drake student accommodation building (the "**Property**") located on the University of Plymouth's (the "**University**") campus.
- 2.2 UPP (Plymouth Three) Limited ("**UPP Plymouth**"), an AssetCo in the Programme, which holds a leasehold interest in the Property, instructed Kier Construction Limited to undertake certain remediation works (the "**Remediation Works**", as defined in the MA Proposal Request referred to at paragraph 2.1 above).
- 2.3 The Remediation Works were carried out through the 2021/22 academic year and achieved practical completion during July 2022 (in accordance with the MA Proposal Request referred to at paragraph 2.1 above).

Potential claim against Balfour Beatty

- 2.4 The original construction of the Property was undertaken by Cowlin Construction Limited ("**Cowlin**") (Company No. 896821) pursuant to a building contract dated 13 December 2006 and achieved practical completion on 2 June 2008. Cowlin was acquired by Balfour Beatty plc in 2007 but changed its name to Balfour Beatty Construction (SW) Limited ("**Balfour Beatty**") on 31 July 2015.
- 2.5 As the contractual limitation period between UPP Plymouth and Balfour Beatty under the original construction contract expired on 2 June 2020, UPP Plymouth is now pursuing a negligence claim against Balfour Beatty in respect of recovering the costs associated/damages suffered in relation to the Remediation Works (the "**Claim**"). Further explanation of what the Claim entails can be found at paragraph 4.2 of this MA Proposal Request (below).
- 2.6 We anticipate the cost of pursuing the Claim may escalate to an amount that will exceed the current amount included in the UPP Plymouth Operating Budget. In this regard, we will incorporate an additional amount (to be advised to the Monitoring Adviser on a confidential basis) into the UPP Plymouth Operating Budget for the 2022/2023 Financial Year (and any subsequent Financial Year's Operating Budgets, as appropriate). We anticipate that this will reduce the Projected ADSCR for UPP Plymouth and ParentCo for the 12 months commencing 1 September 2022 from 1.18 to 1.12 and 1.25 to 1.24 respectively.
- 2.7 We confirm that we will keep the Monitoring Adviser updated with the litigation process (to the extent litigation or legal privilege allows) and will provide quarterly updates on the costs of pursuing the litigation against the relevant Operating Budget amount indicated above.
- 2.8 If the cost of pursuing the Claim is expected to exceed the amount referenced above for the relevant Operating Budget, we will consult with the Monitoring Adviser to ensure that the relevant Operating Budget and Financial Model forecasts are updated (again, on a confidential basis) and ensure that relevant Operating Budgets and forecasts are updated to reflect our then management expectation for such costs, with our Projected ADSCRs to be updated accordingly.

3. **INDEMNITY**

Recognising the potential costs associated with pursuing the Claim, ParentCo proposes to indemnify UPP Plymouth in respect of any costs associated with UPP Plymouth pursuing the Claim in a form agreed with the Monitoring Adviser on a confidential basis (the "**Indemnity**").

4. **MA PROPOSAL REQUEST**

- 4.1 Paragraph 1.1.2 of Part 3 of Schedule 3 to the Issuer Deed of Charge provides that the Group Agent shall be entitled to request that the Issuer Security Trustee concurs in making any consent or waiver in respect of any Common Document. We confirm that for the purposes of the Monitoring Services Agreement, the proposed Claim would, if progressed, fall within the definition of AssetCo Monitored Activities.
- 4.2 Given paragraph 4.1 above:
- 4.2.1 both AssetCo and ParentCo are seeking consent to progress with (and ultimately conclude) the Claim, which for the avoidance of doubt includes:
- 4.2.1 pursuing the Claim via proceedings within the Technology and Construction Court, High Court of Justice, Kings Bench Division (the "**Court**") to its conclusion, which shall include

such steps as may be directed by the Court either under its own powers and/or upon request of the parties;

- 4.2.2 making and (if applicable) defending any applications to the Court in relation to the Claim;
- 4.2.3 instructing legal advisors and/or expert witnesses as may be required;
- 4.2.4 submitting such evidence as UPP Plymouth may deem reasonable in support of its position; and
- 4.2.5 potentially agreeing a settlement of the Claim if suitable terms can be agreed with Balfour Beatty and recording such settlement with the Court if required,

in each case in relation to the Claim; and

- 4.2.2 both AssetCo and ParentCo are seeking consent to enter into the Indemnity; and
- 4.2.3 AssetCo is seeking consent to amend the UPP Plymouth Operating Budget for the 2022/2023 Financial Year (as more specifically outlined at paragraph 2.7 above).

The relevant provisions of the CTA which could give rise to AssetCo Monitored Activities for these purposes are as set out at Schedule 1 (Summary of Relevant CTA Consents) (the "**Consents**").

- 4.3 This letter 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.
- 4.4 We hereby confirm that, in our reasonable opinion, (i) the matters set out in this MA Proposal Request constitute an Ordinary Matter, (ii) the Consents do not give rise to the right of any Issuer Secured Creditor to exercise an Entrenched Right and (iii) it is open for the Monitoring Adviser to treat the AssetCo Monitored Activities constituted by the Consents as an MA Direction Matter for the purposes of the Monitoring Services Agreement because this is not required to be treated as an ISC Direction Matter or an ISC Recommendation Matter, and in our view the expected benefits of seeking to best protect UPP Plymouth's position relating to the Claim to recover the costs of the Remediation Works means that such Consents should be treated as MA Direction Matters. Progressing the Claim and entering into the Indemnity (together with the other elements of the Consents set out at paragraphs 4.2.2 and 4.2.3 of this MA Proposal Request) ensures the interests of the Issuer Security Trustee and the Monitoring Adviser are upheld and it is acknowledged that not doing so could have a Materially Adverse Effect on the consolidated financial position of the Programme over the longer term.
- 4.5 In connection with the Monitoring Adviser's consideration of this MA Proposal Request, we hereby confirm that the Consents would not (if implemented in accordance with the terms of this letter), in our reasonable opinion, prejudice the rights of the Issuer Secured Creditors.

5. REQUEST OF THE MONITORING ADVISER AND ISSUER SECURITY TRUSTEE

- 5.1 We hereby request that the Monitoring Adviser:

- (a) as soon as reasonably practicably and, in any event, within 5 Business Days of receipt hereof, confirms that granting the Consents would constitute, in its reasonable opinion, an MA Direction Matter; and
- (b) as soon as reasonably practicable and, in any event, within 10 Business Days of the Categorisation Determination Date in respect of the Consents (as described in sub-paragraph (a) above), notify the Issuer Security Trustee of its Monitoring Adviser Recommendation to grant the Consents and instruct them to take all other steps, do all other things and enter into all other documents as may be reasonably required to progress the Claim.

5.2 Subject to the Monitoring Adviser having given the confirmation and the Monitoring Adviser Recommendation referred to in paragraph 5.1 above, we hereby further request that the Issuer Security Trustee, without further reference to or instructions from the Issuer Secured Creditors:

- (a) approves the MA Proposal Request 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); and
- (b) does all other things and enter into all other documents as may be reasonably required to implement the matters set out in this MA Proposal Request relating thereto.

6. GOVERNING LAW AND JURISDICTION

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



Director

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



Director

UPP (Plymouth Three) Limited
(as the AssetCo)

Schedule 1
Summary of CTA Consents

#	Step:	Relevant CTA clause:	Consenting or Waiving party:
1.	Progress the Claim against Balfour Beatty as detailed at para 4.2.1 of this MA Proposal Request.	Schedule 3, para 19 (Issuer Representations and Warranties – Litigation contemplated) Schedule 5, para 19 (AssetCo Representations and Warranties – Litigation contemplated)	Issuer Security Trustee AssetCo Security Trustee
2.	Entry into the Indemnity as detailed at para 4.2.2 of this MA Proposal Request.	Schedule 7, part 2 para 2 (ParentCo General Negative Undertakings – financial indebtedness) Schedule 8, para 9.1 (AssetCo General Negative Undertakings – not to enter into project documents)	Issuer Security Trustee AssetCo Security Trustee
3.	Amending UPP Plymouth’s Operating Budget for the 2022/2023 Financial Year (and any subsequent Financial Year’s Operating Budgets, as appropriate), relating to the costs of the Claim.	Schedule 8, para 9.20 (AssetCo General Negative Undertakings – not to amend the Operating Budget)	AssetCo Security Trustee

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 ____ [***] 2022 and the Monitoring Adviser Categorisation dated ____ [***] 2021 and the Monitoring Adviser Recommendation dated ____ [***] 2022 in respect thereof.

Without further reference to or instructions from the Issuer Secured Creditors, we hereby approve the Consents 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 relating to the Remediation Works and/or the Consent.

Dated: ____ [***] 2022

By:

For and on behalf of:

U.S. Bank Trustees Limited

(as Issuer and AssetCo Security Trustee)